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April 13, 1959

RAILWAY AGE *weekly*

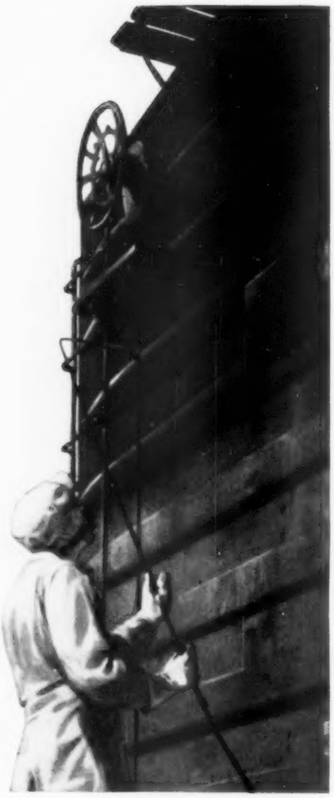
Identify Cars With Electronics?

New system grabs numbers from fast-moving trains

SP Upgrades Cars with Plywood

Stapling panels in place saves time and money

60 cents A Simmons-Boardman TIME-SAVER Publication



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RAILWAY AGE *weekly*

April 13, 1959 • Vol. 146, No. 15

Week at a Glance

Replying to union demands for a 12% increase, carriers have proposed (1) a wage reduction of 15 cents an hour and (2) elimination of the cost-of-living escalator clause in the present agreements. Talks are now ready to move to the conference committee level.

Great Northern President Budd says "several roads" are considering the establishment of an agency that would acquire rolling stock for lease to agency members. Such a united effort, he believes, could "spell the end of chronic car shortages."

A new system, developed by Link Aviation, Inc., automatically identifies moving trains or freight cars by their initials and number.

The road is beginning to get some collateral advantages. Evaluation of an individual's performance and potential is the latest in a series of management tools made possible by the plan.

It's done by spotting waste containers at strategic locations and leasing a special truck, with driver, to empty storage bins as they fill up.

Trains carrying 25,000 riders a day between New York City and New Jersey are now scheduled to come off in June—unless New Jersey acts swiftly to guarantee the road against out-of-pocket deficits.

The road saves time and money and assures itself of a steady supply of Class A freight cars by using plywood panels to recondition bruised and battered units.

Railroads no longer can make rates to "preserve market relationships" to the extent they did in the past. Until other carriers are fully regulated and their subsidies taken away, railroads must meet their competition where it exists.

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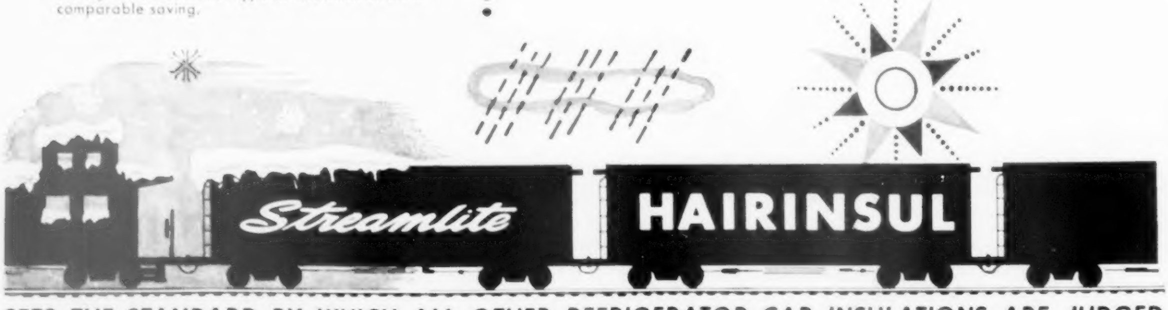

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Week at a Glance CONT.

Current Statistics

Operating revenue	
1 mo., 1959	$784,227,845
1 mo., 1958	779,752,776
Operating expenses	
1 mo., 1959	644,544,329
1 mo., 1958	651,090,608
Taxes	
1 mo., 1959	78,905,591
1 mo., 1958	73,375,829
Net railway operating income	
1 mo., 1959	36,160,074
1 mo., 1958	31,914,879
Net income estimated	
1 mo., 1959	22,000,000
1 mo., 1958	18,000,000
Average price 20 railroad stocks	
April 7, 1959	108.90
April 8, 1958	67.51
Carloadings revenue freight	
Thirteen wks., 1959	7,431,686
Thirteen wks., 1958	6,977,061
Freight cars on order	
March 1, 1959	28,789
March 1, 1958	43,750
Freight cars delivered	
2 months, 1959	4,426
2 months, 1958	12,535

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Short and Significant

Soo Line's guaranteed rate has been suspended . . .

by the ICC. On April 9, the day before it was to become effective, the Commission held up this rate innovation for seven months. It will be investigated in a case docketed as I&S No. 7151. Protestants are associations representing truckers and water carriers. The proposed rate would give a 17.5% discount to a shipper who guaranteed to ship 90% of his tonnage by rail. It would be $10.05 per ton (compared with a regular rate of $12.15) on wrought iron pipe and tubing shipped from Sault Ste. Marie, Ont., to Chicago.

Slow railroading for lumber shipments . . .

on the Union Pacific is prohibited by an injunction against that road which was issued in the Federal District Court at Des Moines, Iowa. The injunction forbids wilfully delaying carload shipments of lumber at the request of shippers whose marketing arrangements are thus facilitated. The court found this to be in violation of the Interstate Commerce and Elkins acts. Commenting on the decision, the ICC said it was "significant in view of the disclosures heretofore made by the Commission that it had under investigation similar practices of other railroads."

Railroad piggyback rates . . .

for Plan III service (carriage of shipper-owned trailers) and forwarder volume rates are up for hearing at the ICC. The Commission hearing embraces what has been called "a group of landmark cases," including several investigation and suspension dockets and complaints filed by trucking interests. Some tariffs at issue have been in effect for some time, others became effective more recently when their suspension periods ran out, and still others remain suspended. The title case is No. 32533, the complaint of the Eastern Central Motor Carriers Association.

Net income gain of nearly $30,000,000 . . .

is estimated by Class I railroads for February. The estimate is $19,240,000, compared with the deficit of $10,000,000 reported for February 1958. The AAR's latest statement also shows a like gain in net railway operating income for February—$39,793,694 compared with $9,067,596. For this year's first two months, the estimated net income and the net railway operating income were $40,000,000 and $75,953,768, respectively. This compared, in turn with year-earlier figures of $5,000,000 and $40,982,474. The rate of return for the 12 months ended with February averaged 2.89% compared with 3.06% in the previous 12 months.

RRs, 3 Ops Split on Wages

Carriers counter union demands for 12% increase with proposal to cut wages by 15 cents an hour, and eliminate cost-of-living escalator clause. BLE's Brown calls management proposal 'ridiculous.'

► The Story at a Glance: The first railway labor wage dispute of 1959 is headed for negotiation at the conference committee level. Preliminary talks on individual properties are nearing an end. The issues:

● Uniform notices filed by the BLE, the ORC&B and the SUNA demanding 12% wage increases effective Nov. 1.

● Management's counter-proposal of 15-cent-per-hour pay reductions and elimination of the cost-of-living escalator clause from the existing agreements.

Railway management and three operating brotherhoods are at least 38 cents an hour apart, as preliminary wage talks draw to a close.

The three organizations—the Brotherhood of Locomotive Engineers, the Order of Railway Conductors & Brakemen and the Switchmen's Union of North America—are demanding 12% increases effective Nov. 1, at the expiration of the current wage moratorium. The carriers have countered with uniform notices proposing wage cuts of 15 cents per hour, or $1.20 per day, and elimination of the cost-of-living escalator factor.

Contract talks will now move to the conference committees — with labor, generally, expressing a readiness to get started as quickly as possible.

Leaders of the three operating brotherhoods differed only in degree in their comments on the carriers' counter-proposal.

"How ridiculous can railroad management get?" asked Guy L. Brown, grand chief of the BLE. "The general trend of wages is up. Their proposal is ridiculous."

William A. Fleete, president of the Switchmen's union, said the carriers' notice is "within the framework of our Article 9 in the March 1957 agreement and we're content to handle it under those conditions . . . but I certainly don't agree that this is any time to propose a decrease in wages."

J. A. Paddock, president of the Conductors & Brakemen, said he sees "no possibility of a wage reduction . . . no real justification for a wage decrease" as the general economy stands today.

The 12% increases demanded by the operating crafts, one source estimated, would amount to 23 to 30 cents per hour. Each cent granted would add about $20,000,000 to the railroads' annual wage bill.

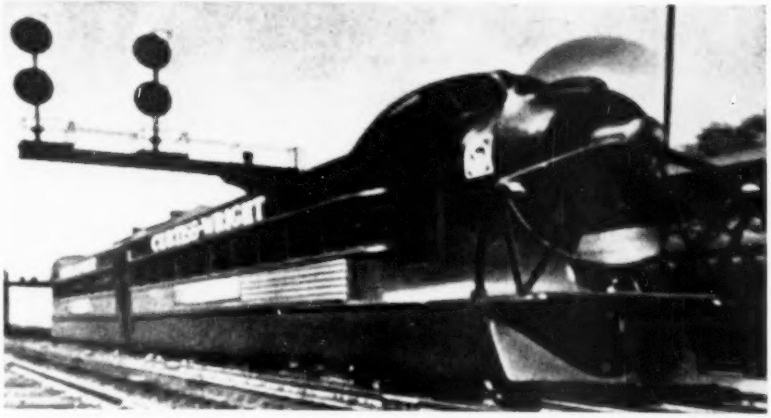
The carriers' counter-proposal, labor leaders contend, would wipe out the existing cost-of-living adjustment and possibly cut into the basic wage rate. The proposal bases wage reductions on total pay received as of Oct. 31, including the cost-of-living adjustment which now amounts to 13 cents per hour. Another adjustment is due May 1, based on the March consumer price index. Estimates of the size of the adjustment range from no change to as much as 2 cents per hour additional.

The counter-proposal represents the first uniform notice on wage cuts since May 1938, when the carriers proposed a 15% reduction because of a severe financial pinch. An emergency board recommended against the cutback and reductions were never placed in effect. In later years, various carrier proposals were advanced which might have had the effect of a pay cut—in 1941 the roads proposed a 10% cut if vacations with pay were granted; and during the last contract go-round, one proposal would have cut non-ops' wages by about 6½ cents per hour.

All three operating brotherhoods in-

(Continued on page 29)

New Push for Passenger Trains?



Passenger-carrying railroads around the U. S. lately have been seeing a novel proposal for what one manufacturer thinks could be a train to solve the deficit problem: a lightweight, three-car speedster powered by airplane propellors (see artist's sketch).

Designer is Curtiss-Wright Corporation's Wright Aeronautical Division. Using, basically, Budd's Pioneer III car, the company has designed a train capable of speeds well above 100 mph with factors of riding comfort, noise level, operating cost, utilization and profitability supposedly far more favorable than anything now on the rails.

The three-car train, which would have propellors at each end, would seat 276 persons. The train would be, Curtiss-Wright says, capable of accelerating to 125 mph in 150 seconds within 16,000 ft. It could be stopped even faster by reversing the pitch of the propellors.

Car-Leasing Agency Studied

Broad hints were heard last week that a group of railroads are studying the establishment of an agency to acquire freight cars and lease them to agency members. Object: to take the sting out of car shortages which affect even roads whose car ownership is adequate in proportion to the total industry fleet.

The idea is understood to be in strictly the first stages of discussion. Mention of it cropped up twice in statements out of the Great Northern, one in the road's annual report and the other in a talk by President John M. Budd.

The road's annual message to shareholders said: "A national freight car shortage in 1959 seems inevitable. Great Northern ownership of cars is considered adequate, but because more cars are loaded than unloaded on our line and because cars are held for use by other roads rather than being returned empty when cars are scarce, the shortage undoubtedly will affect our operations.

"Efforts are being made to help alleviate this condition in the future by forming a company jointly owned by several roads to acquire and lease cars to individual lines. It is hoped that this will tend to eliminate deficiencies in ownership and thereby eliminate car shortages."

Last Wednesday, Mr. Budd spoke to the Midway Civic Club at St. Paul, outlining areas in which railroads have improved their services and operations in recent years. He called the freight-car supply situation an important area in which "I believe we are near a break-through."

"An important group of railroad officials sincerely believe that the railroad industry can no longer borrow from private sources in sufficient amounts to take care of their needs and that we must depend on government credit. Others believe just as sincerely that this is not true," Mr. Budd declared.

"Plans are now being formulated to test the private market by a large segment of the railroad industry in a united effort for the purchase of rolling stock. If this is successful, it should spell the end of chronic car shortages. I hope that the one which seems inevitable in 1959 will be the last one."

Watching Washington *with Walter Taft*

• **THE PER DIEM CASE** has been reopened by the ICC. At stake is the railroad industry's uniform car-rental charge, upheld by the Commission in an order which was set aside by a three-judge federal court in Boston. The reopening is pursuant to a commitment the Commission made to the U. S. Supreme Court when the latter remanded the case without acting on it (RA, Nov. 24, 1958, p. 74). The Commission will now give more thorough consideration to the time-mileage formula for setting varying rentals, as proposed by railroads which took the case to court.

• **NEXT COST-OF-LIVING INDEX** is not expected to call for a wage adjustment for railroad employees working under agreements with escalator clauses. The index (for March) is due to come out of the Bureau of Labor Statistics next week. Any up or down wage adjustment it might require would become effective May 1.

TO PROVIDE A RAISE, the March index would have to be 4/10 of a point above February's 123.7, i.e., at least 124.1. No such departure from the index's stable course of the past six months is looked for. The February index was the same as last September's, and no movement in the intervening months exceeded 2/10 of a point.

TO REQUIRE A CUT, the index would have to fall 2/10 of a point, which is not considered likely either. Four raises aggregating 13 cents per hour have been provided over the past two years by the escalator clauses which are based on September 1956's index of 117.1. Up or down adjustments of one cent per hour are required each six months for each half-point change from that base figure. No cut has yet been called for.

• **TRUCK-LEASING RULES** of the ICC won't be eased. The Commission has decided not to change its restrictions on rentals of equipment without drivers by regulated carriers. The restrictions prohibit such rentals by common-carrier truckers and require contract truckers to obtain Commission approval of rental contracts before they are made effective.

PROPOSED EASING of the rules got little support, and it was opposed by the railroads, regulated motor carriers generally, and the International Brotherhood of Teamsters. Many favored extending to contract truckers the absolute ban against leasing without drivers, but the Commission left the prior-approval-of-contract rule in effect because it has received very few complaints about leasing practices of contract truckers.

• **DRIVE** for enactment of legislation to liberalize the Railroad Retirement and Unemployment Insurance acts will be resumed any day now. Chairman Harris of the House Interstate Commerce Committee will soon seek to have that committee's liberalizer cleared by the House Rules Committee. Such clearance is necessary to assure early House consideration of the bill, which has been assailed by both railroad labor and management.

ON THE SENATE SIDE, the proposed legislation is before a Labor and Public Welfare subcommittee headed by Senator Morse of Oregon. That subcommittee is scheduled to meet this week to prepare the bill it will recommend to its parent committee.

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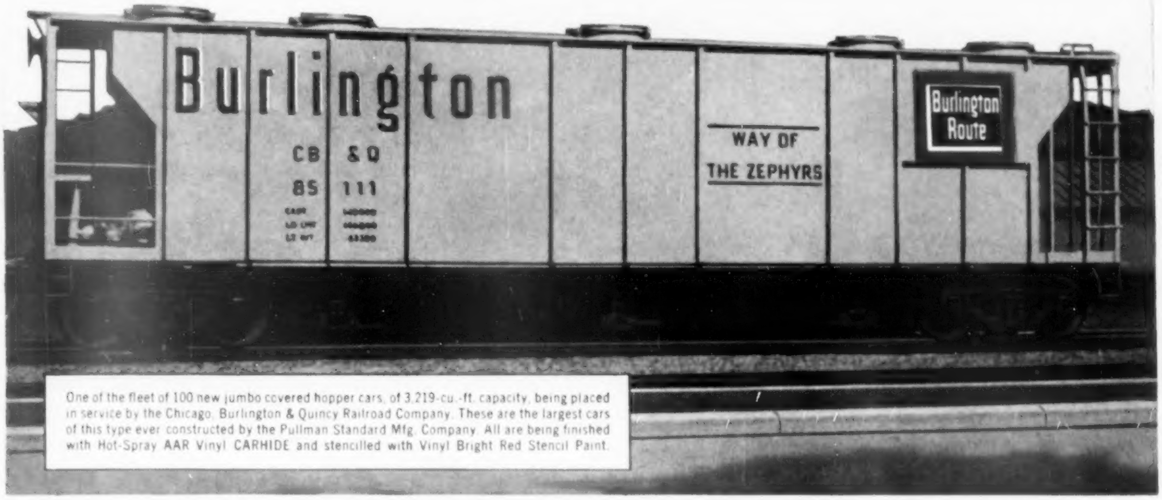

One of the fleet of 100 new jumbo covered hopper cars, of 3,219-cu.-ft. capacity, being placed in service by the Chicago, Burlington & Quincy Railroad Company. These are the largest cars of this type ever constructed by the Pullman Standard Mfg. Company. All are being finished with Hot-Spray AAR Vinyl CARHIDE and stencilled with Vinyl Bright Red Stencil Paint.

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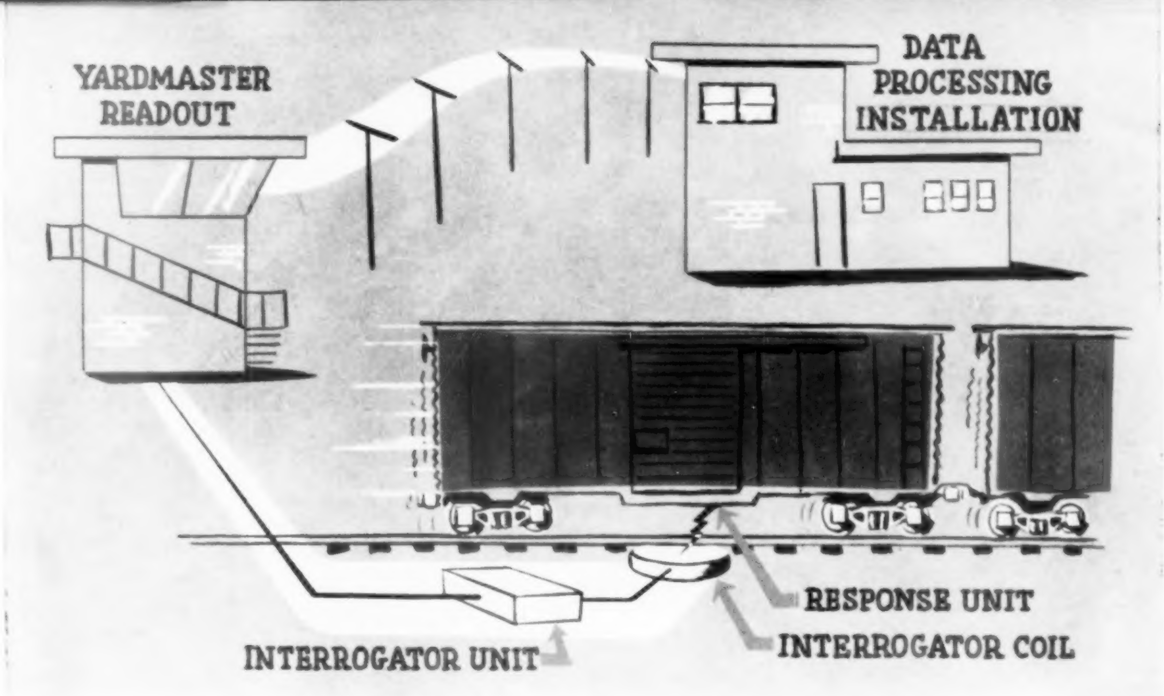


MOVING AT HIGH SPEED, each car of the passing train is automatically identified by initial and number. Readout may be in the form of a punched tape or a printed consist. (Cover shows model displayed at RSPA meeting.)

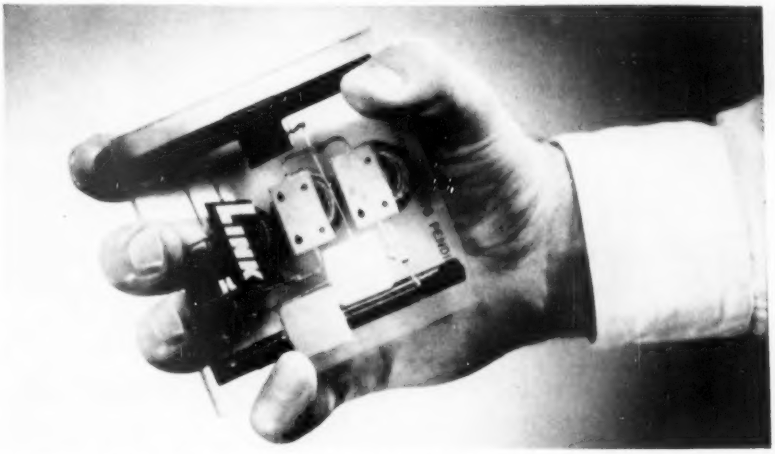
Identify Cars With Electronics

A new electronic system can identify moving trains or freight cars by initials and number. It was unveiled at last month's RSPA meeting (RA, Mar. 23, p. 28).

A response block (no bigger than a man's billfold) is mounted underneath the car or locomotive. As the block passes over a wayside coil of wire running between the rails, the coil's magnetic field is "disturbed," producing the identifying signal.

Here are five problems that some railroads think this system can help solve:

- Locating switch engines in a large yard and industrial switching area.
- Identifying trains entering a three-track mainline from a terminal area (commuter, freight and passenger trains).
- Identifying trains entering manual block territory.
- Identifying captive freight cars such as coal and ore cars.
- Automatic switch control, in which trains carrying the identifying blocks would control switches to aline their routes without wayside interlocking operators.



RESPONSE BLOCK for each car weighs about 1 lb and is encapsulated in plastic. Clear plastic block (above) is for display. Blocks on cars will be opaque. Cost of the system varies according to the amount of identifying information the user wants.

The identifying information can be transmitted via telephone circuits to yard offices or other points where the information can be processed. Readout may be on a Teletype tape, page printer, an electric typewriter or even onto magnetic tape for input into a computer or memory storage device.

It will cost $5 to $10 to equip each car or locomotive, depending upon the amount of identifying information required. The wayside interrogator and associated equipment costs from $5,000 to $10,000, again depending upon the amount of information required and the form in which it is to be read out.

The system was developed by Link Aviation. Railroad sales are handled by Western Railroad Supply Co.

At least two other automatic car

(Continued on page 22)

NYC Likes Job Appraisal Plan

With a job appraisal plan firmly established as the cornerstone of its management development efforts, New York Central is beginning to get some collateral advantages. Performance check lists, currently being integrated with the plan, are the latest in a series of management tools made possible by the appraisals. To get the story of management development on the Central, Railway Age interviewed William Oncken, Jr., director of management development. Here's what we learned.

New York Central's Management Planning Department, under Vice President J. B. Joynt, functions like an independent management consultant firm, with the railroad as its only client.

The first big step in installing a formal management development plan was to prepare an organization manual describing what the company did and who did it.

The second big push was to establish systematic job appraisals. At a meeting of the top 60 officers of the railroad in October 1956, Management Development Director Oncken took a whole day to explain what the Job Appraisal Plan was and how it would work. As part of the explanation, all those present at the meeting experienced for themselves how it functions by dividing into small groups and running through all the steps of simulated performance appraisal meetings.

Mr. Oncken went on from this original meeting to repeat the same procedure 21 times, at additional meetings in Central's seven principal cities. Eventually, everyone on the railroad who is appraised under the plan attended one of the meetings.

Currently, the big step in management development is the development of performance check lists to help the job appraisal committees evaluate individual performance and potential. Pilot guides have been worked out on a trial basis for one department and are being worked out for others. Another series of meetings is now being concluded to explain how the new check lists are to be used and what benefits can be expected.

After all 21 meetings have been held this year, every manager on the railroad will have attended one.

Every managerial employee on the railroad takes part in the plan, in one or more of three roles. For the sake of simplicity, Mr. Oncken explains the plan by talking about three individuals, Mr. A, Mr. B and Mr. C.

Mr. A is the man being appraised. His immediate boss is Mr. B, who acts as the chairman of Mr. A's appraisal committee. Mr. B's immediate boss is Mr. C, to whom Mr. B reports progress of the committee and plans developed jointly by A and B for improving performance. (He also reports on how well the plan developed at last year's meeting has been carried out.)

The president of the company, at the apex of the organization table, obviously can take part in the plan only as a Mr. C. The vice presidents function both as Mr. B's and Mr. C's. The assistant vice presidents and general managers at the next lower level function in all three roles, and so on down to the lowest level of management, which acts as Mr. A exclusively.

Definition of Management

New York Central defines management broadly. The term includes all full time supervisors (whether or not the supervisor belongs to a labor organization). It also includes those who exercise staff supervision over the efforts of others (even though they have no administrative responsibility), and a third category, official representatives of the railroad.

The road describes the major objective of the appraisal plan as "to help each managerial employee develop a more satisfactory and rewarding career through improved job performance." To do this, the Central uses the group appraisal technique. A committee of three, with the man's boss as chairman, makes the appraisal.

"This is not a hearing," Mr. Oncken emphasizes. "It's not something to get the goods on somebody." It is, in fact, he points out, not a rating at all but an evaluation of performance during which the committee makes certain conclusions. These are set down in narrative form by Mr. B, the chairman, only when the committee is unanimously agreed.

The record of the appraisal meeting is not available for inspection by anyone else on the railroad. When it has served its purpose, it is destroyed. The only reason for making a written record is for the convenience of the chairman, who is required to discuss the committee's findings with Mr. A and again with Mr. C. He may also discuss its contents with any superior having a valid interest in it.

The reason for keeping committee records confidential is simple. "We don't want to chain a man to his past mistakes," Mr. Oncken explains, "and we do want the appraisal committees to be frank."

Everyone under the plan is appraised during every year on a schedule that works up from the bottom level. All parts of the A's conferences must be finished before a B can switch to the A role for his own appraisal, and so on.

To begin the process, the man being appraised nominates two "helpers" who, with Mr. B, will make up the three-man committee. The helpers should not be higher than B nor lower than A in rank. They should know A, his function, and his performance in it if possible. They should not be competing with A for a job. They should—obviously—be men whose judgment and character A respects and trusts. Sometimes several people having the same boss will choose the same two helpers, to simplify scheduling of meetings.

Once the committee is chosen and approved by Mr. B, the appraisal meeting is held. Following this, Chairman B discusses the committee's appraisal with Mr. A. A plan of action is selected that should result in improved job performance by the time the next meeting takes place a year later.

The third step is for Mr. B to discuss with Mr. C, in general terms, what has happened in the earlier steps. This meeting must take place for the plan to be effective, since it is here that Mr. C holds Mr. B accountable for his management development responsibilities.

One collateral benefit of the performance appraisal plan is an effective device for planning management succession. It is officially known as the Management Succession Planning Table. As

(Continued on page 36)

*

GOULD

700

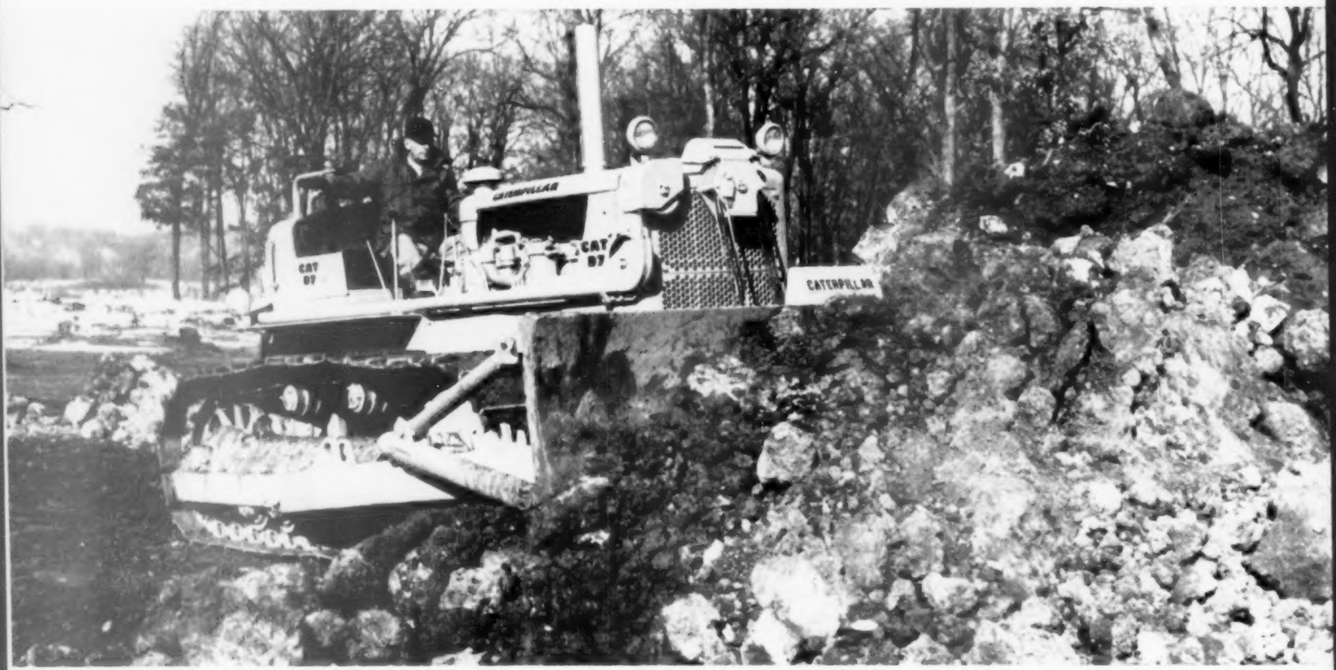
A.A.R. APPROVED

CATERPILLAR'S PROJECT PAYDIRT

PROJECT PAYDIRT* *pays off again*

NEW CAT D7 SERIES D TRACTOR

For higher production at lower operating cost



By any comparison the new Cat D7 Series D Tractor is champ in its class. It packs 140 horsepower . . . matched with 80% more lugging ability than the previous model—for greater production. And it delivers this production at lower operating and maintenance costs. The payoff for you . . . increased performance that no other tractor in this power range can match.

Major improvements, developed by Caterpillar's Project Paydirt, affect the engine, power train and undercarriage. And the new Series D retains the exclusive Caterpillar Oil Clutch. It's time-tested; delivers up to 2,000 hours—one whole season—without adjustment.

For complete facts about the leader, see your Caterpillar Dealer. He's ready to give you the whole story on the new D7 Series D. And he'll arrange a demonstration on your job.

Caterpillar Tractor Co., Peoria, Illinois, U. S. A.

* **PROJECT PAYDIRT:** Caterpillar's multi-million-dollar research and development program — to meet the continuing challenge of the greatest construction era in history with the most productive machines ever developed.

NEW ON THE D7 SERIES D

TURBOCHARGED ENGINE features 9% horsepower increase, 80% more tractor lugging ability. Optional in-seat starting is available. The payoff . . . more production!

DRY-TYPE AIR CLEANER removes at least 99.8% of all dirt and dust from engine intake air during every hour. Cleaner can be easily serviced in 5 minutes. Filter element can be re-used. The payoff . . . economical, convenient maintenance and longer engine life.

SERVICE-FREE TRACK ROLLERS, carrier rollers and idlers are lifetime lubricated. New load-carrying design increases roller life. The payoff . . . longer life, no on-the-job lubrication shutdowns.

PRESSURE-LUBRICATED POWER TRAIN insures complete circulation of filtered oil to transmission, bevel gear and pinion. To transmit increased power, power train components have greater strength. The payoff . . . longer gear life, trouble-free operation.

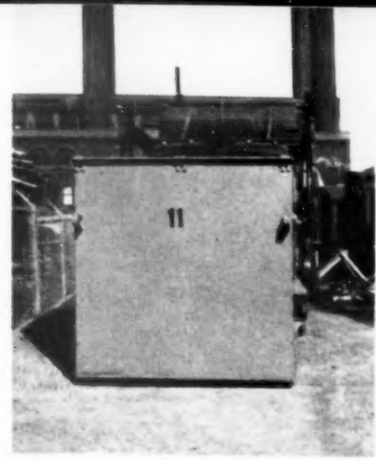
CATERPILLAR

Caterpillar and Cat are Registered Trademarks of Caterpillar Tractor Co.

BORN OF RESEARCH
PROVED IN THE FIELD

By spotting waste containers at strategic locations where trash piles up, and leasing a Dempster Dumpmaster truck with driver to empty 50 storage units on a regular basis as they are filled up, the . . .

LI Saves $15,000 On Waste



A 6-cu-yd Container . . .

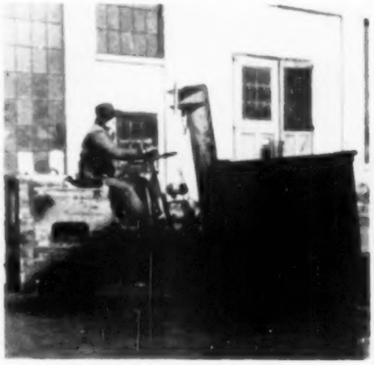
"This box in the Long Island City commuter storage yard fills up fast with newspapers and other bulky trash."

And a Mobile Collector . . .

"Whenever it's full, the truck comes in and makes a pick-up. The driver doesn't even have to get out."

With Boxes on Wheels . . .

"The platform at Jamaica can't be reached by truck, so we wheel the box to an elevator and the street."



. . . Or a Fork-Lift . . .

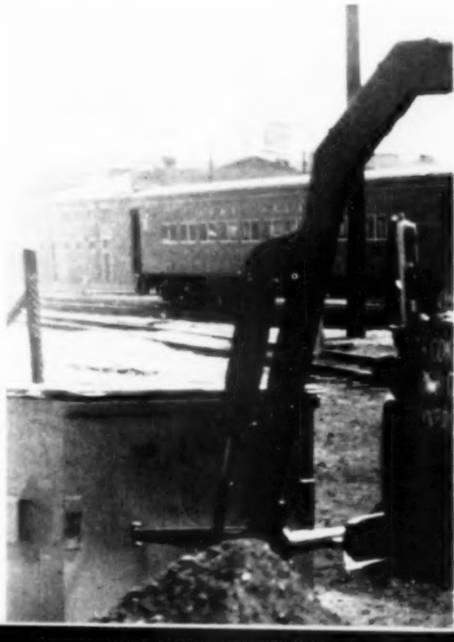
"This box came from the car shop. It's apt to hold anything from lubricator pads to old seats."

. . . Replaces a Work Train

"It used to take a 15-car train once a week to carry this stuff to Yaphank for dumping."

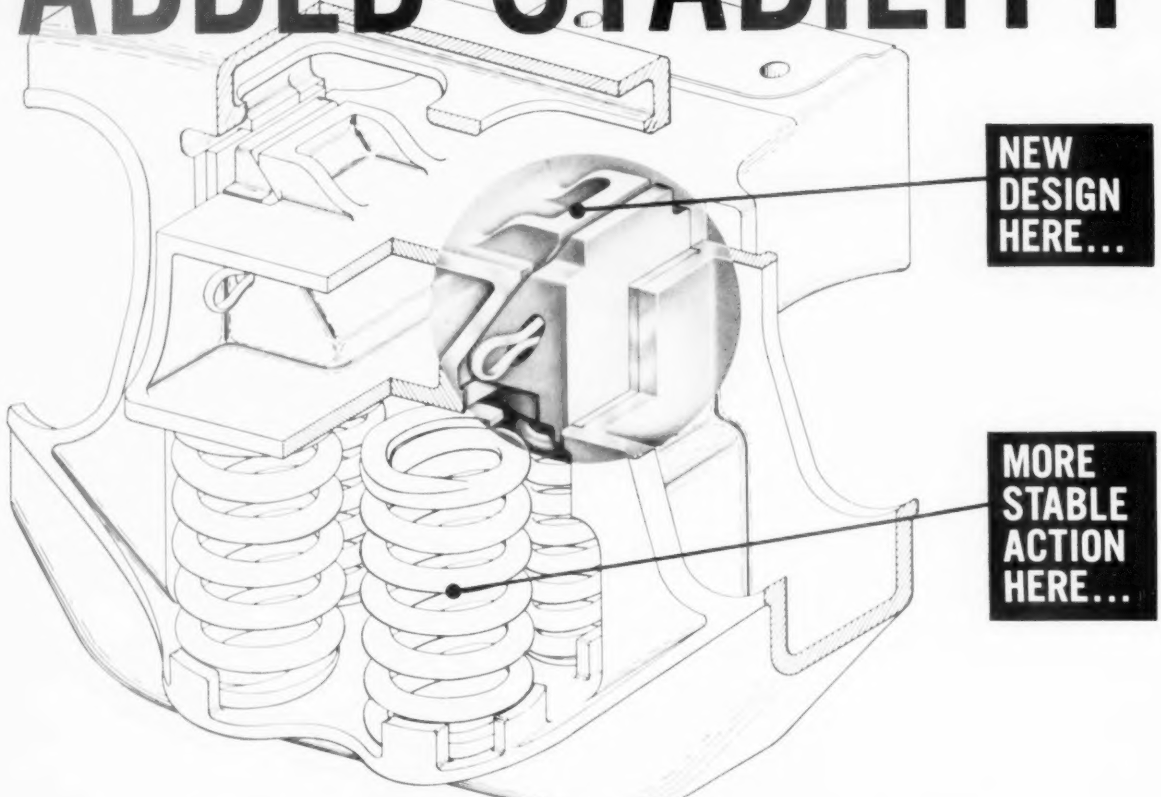
Guts of the System

are the Dempster Dumpmaster's hydraulically controlled lifting arms. These engage lifting slots on the containers. When the driver has made contact, he lifts, dumps and returns the container automatically. The Long Island has two container sizes, 6 cu yd and 3 cu yd as shown here. The truck body holds 24 cu yd of 21 tons of compacted trash.



Captions quoted are from Long Island's Chief Engineer Frank Aikman, Jr., who described the Dumpmaster system for Railway Age.

ADDED STABILITY

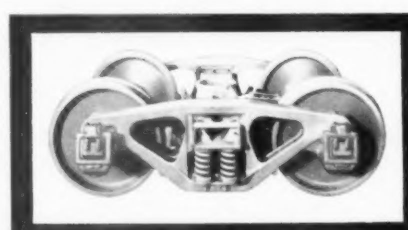


for the BARBER stabilized truck

EXTENDED BOLSTER POCKETS...the latest improvement in Barber Trucks! (See above drawing.)

Here are the positive benefits: 1) *Balanced action* of the Barber friction shoe through increased bearing area and *even* pressure distribution. 2) An even *smoother* Barber Stabilized ride because of better control of the forces which act between shoe and wear plate. 3) Lower-than-ever maintenance through longer life of the Stabilizer parts. 4) The same quick-and-easy dismantling and re-assembling!

Today's finer Barber Stabilized Trucks are the result of continuing research, constant improvement. Specify Barber and you've got the best!



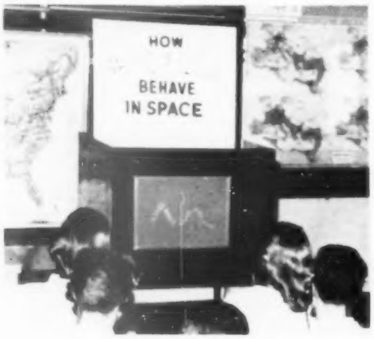
BARBER

STABILIZED TRUCKS

Standard Car Truck
Company

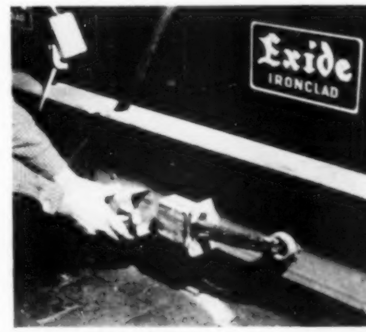
332 S. Michigan Ave., Chicago 4, Illinois.
In Canada:
Consolidated Equipment Co., Ltd., Montreal 2

New Products Report



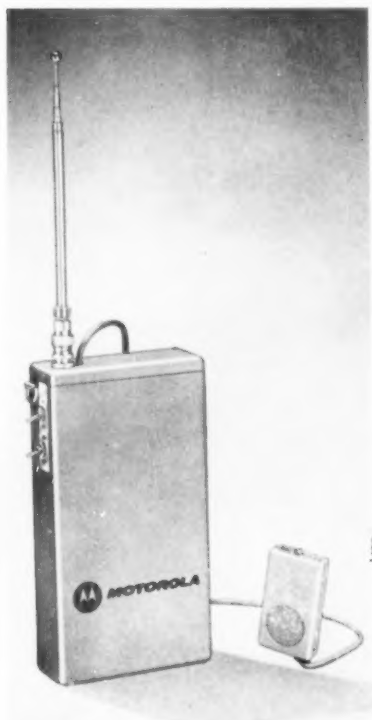
Mercury Lamp

A new 400-watt "Bonus Line" mercury lamp for street lighting and general industry is said to have a better maintained light output than any other discharge lamp, including the fluorescent. It will give 25 per cent more light than present 400-watt mercury lamps after 4,000 hr of burning time; at the end of 8,000 hr, 65 per cent more light; has a useful life in excess of 9,000 hr. *Large Lamp Dept., General Electric Co., Dept. RA, Cleveland 12.*



Push Button Education

The Triangle Continuous Motion Picture Teacher, used in conjunction with 40 individual student armchairs equipped with headphones, enables each student to see the motion picture and hear the voice without any outside interference. The student may repeat the film by the push of a button, thus making possible review after the first showing. *Triangle Projectors, Inc., Dept. RA, 3706 Oakton street, Skokie, Illinois.*



Industrial Truck Connector

A rail-mounted electrical connector simplifies charging of batteries for industrial trucks and connecting the lead from battery. Cables are led from charger along underside of bottom rail of battery rack, then through hole in rail to connector. The connector is screwed to a flange, welded to outside of rail. This protects cable and promotes shop neatness and accident prevention. *Electric Storage Battery Co., Dept. RA, Philadelphia 20, Pa.*

Teletype Tape Reader

A new model 28 tape reader translates code of perforated tape into electrical impulses for sequential transmission and into electrical impulses for parallel-wire transmission. It receives electrical impulses from external parallel-wire source and converts these impulses for sequential transmission. Featuring 100 words per minute operation, it measures $6\frac{1}{2}$ in. high, 9 in. wide and 16 in. deep. *Teletype Corp., Dept. SP-2 RA, 4100 Fullerton, Chicago 39.*

Pocket Transmitter

In the field testing stage is a new pocket transmitter, which may be used by car inspectors, checkers or other railroad men to provide radio transmission only. Weighing less than 3 lb, the 46-oz transmitter measures about 8 in. by 4 in. by $1\frac{1}{2}$ in. It provides $1\frac{1}{4}$-watts radio frequency output in 24-54-mc band; 1-watt output in 144-174-mc band. *Motorola Communications & Ind. Electronics, Inc., Dept. RA, 4501 W. Augusta blvd., Chicago 51.*

Floodlight Protection

This new line of Bell Holders features all-weather seals of high-temperature silicone rubber. The cast aluminum line includes floodlights for medium and mogul base reflector lamps up to 500 watts and a special heavy-duty vapor-tight unit for use in locations exposed to heavy moisture, corrosive fumes or noncombustible vapors and gases. *Stonco Electric Products Company, Dept. RA, 333 Monroe avenue, Kenilworth, N. J.*

CAR IDENTIFICATION

(Continued from page 13)

identification systems are now under consideration;

1. Use of small radioactive sources attached to freight cars for their identification by wayside sensing equipment.
2. Reflective or magnetic striping on car axles that can be sensed by wayside equipment.

The first of these systems would employ varying patterns of small radioactive sources. A freight car carrying these patterns would pass over a wayside sensor unit. This unit, actuated by the radioactive patterns, would pass a signal to an amplifier and decoding system, and thence to a readout device. The car initial and number could be shown on an illuminated indicator panel, or as a punched paper tape, punched card or a train consist list. The identifying information could also be converted for printing telegraph or radio transmission to remote locations, such as yard offices.

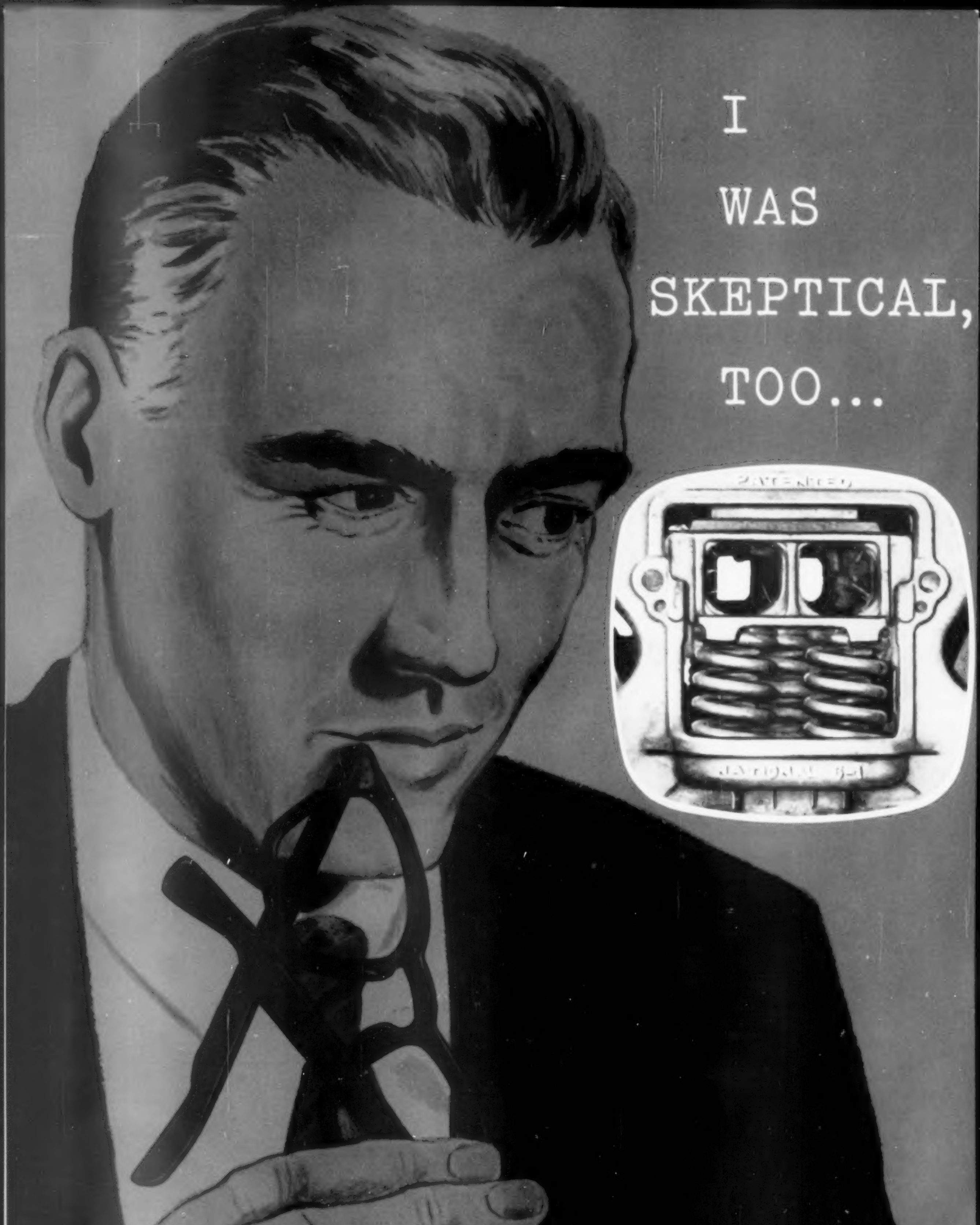
Developed by U. S. Radium Corp. and Electronic Associates, Ltd., the system can be used to identify freight cars traveling at low speeds as well as speeds up to 100 mph. The radioactive sources can be permanently mounted on the cars or locomotives, or mounted in a removable assembly, permitting the identifying marks to be changed. Advantages of the system claimed by U. S. Radium, are that the radioactive source requires no power and operation is independent of light or darkness and impervious to weathering elements, such as temperature, rain, snow and sleet.

Magnetic Striping

In the second car identification system, an operator at a junction point punches car initials and number on a keyboard. Equipment is synchronized with the punching, so that, as the car passes over paint nozzles mounted between the rails, a magnetic or reflective paint is sprayed on as binary stripes.

When the car passes over identifying equipment at a yard, the stripes can be "read." This binary striping can be decoded and made available to the yard master or other personnel in the form of a punched paper tape, punched card or printed consist list.

According to Worth G. Read, Great Northern research and development department, who is responsible for the idea, the system would have the advantage of enabling a railroad automatically to identify freight cars traveling on its line, without waiting for all railroads to put such identifying marks on all their cars. The striping is expected to last about 30 days.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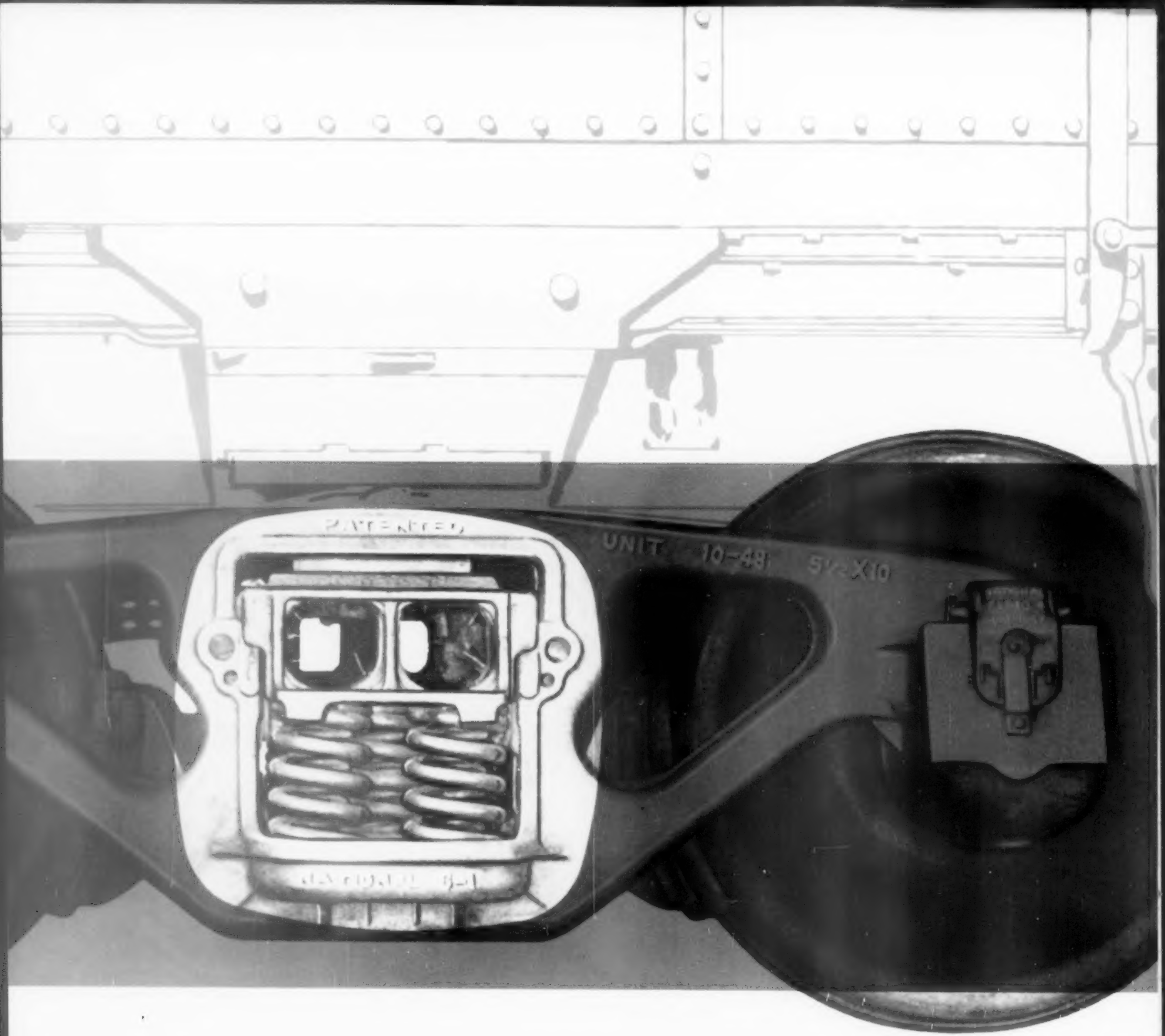
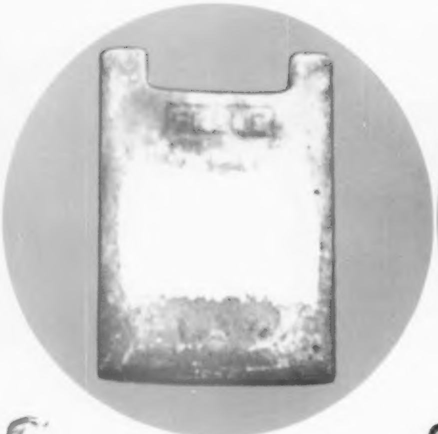
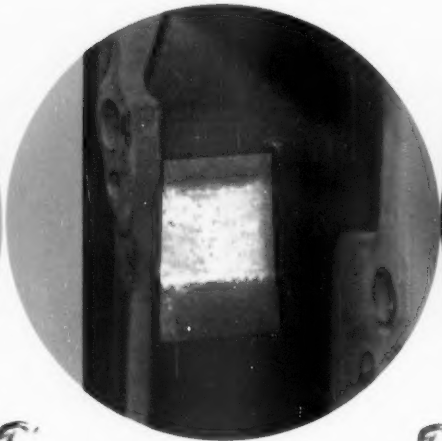
TOO...



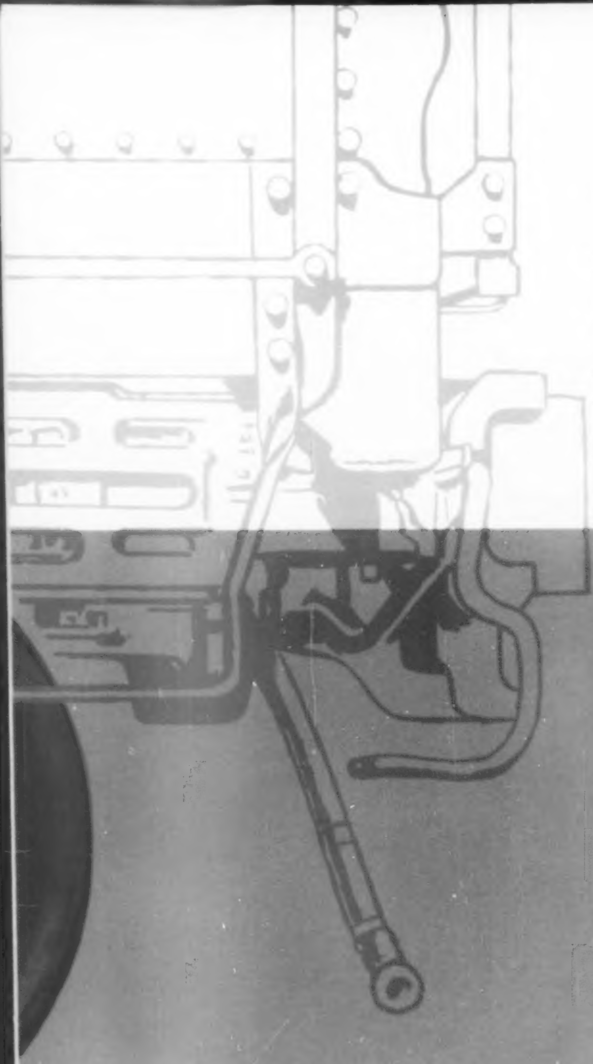


"Convex side of friction wedge, with full-width bearing where it bears against side frame pockets, shows no evidence of scoring or gouging . . . just a smooth polished surface."

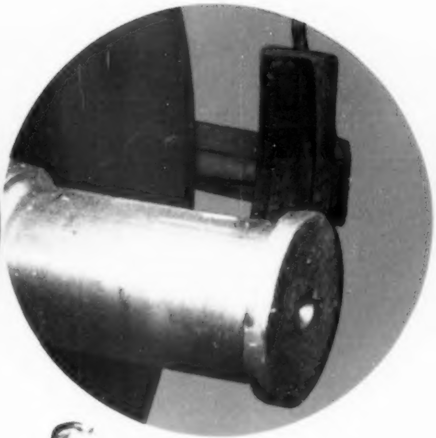


"Large, even bearing area in side frame pockets shows that wedge 'rocking' motion in pocket reduces wear on the surfaces of both wedge and pocket."

"Here, with friction wedge retracted into side frame column, you can see the full-bearing surface of the wedge. And note that condition of side frame column wear pad shows minimum contact with bolster lugs."



"...until I read reports of actual inspections performed by impartial railroad men on groups of **National C-1 trucks that had been in service for nearly 10 years.** These unretouched photographs will convince you, too..."

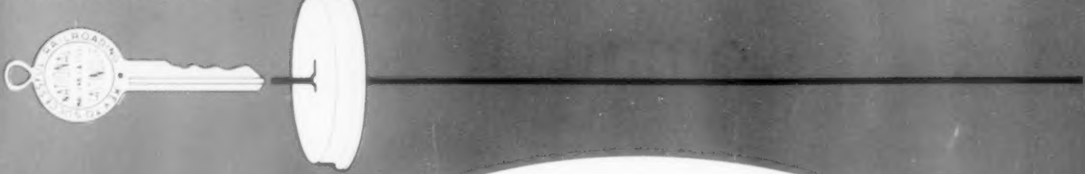


"Pay particular attention to uniformity of contact between friction wedge and this bolster wear plate. This means better ride stability over longer periods. Also there were no cracked or broken welds."

"This photo shows the original axle. Note that there are no signs of abnormal wear on the journal and that its surface is smooth. Furthermore, wheel flanges were in good condition and the tread was not concave."

"First, note the smooth journal bearings and minimum wear on journal bearing wedges where they contact the journal box roof. Also, there was no evidence of contact between load spring coils indicating that load springs did not go solid."

A KEY TO SUCCESSFUL RAILROADING



NATIONAL MALLEABLE and STEEL **CASTINGS COMPANY**

Established 1868

Transportation Products Division
Cleveland 6, Ohio

International Division Headquarters
Cleveland 6, Ohio

CANADIAN SUBSIDIARY

National Malleable and Steel Castings Company of Canada, Ltd.
Toronto 1, Ontario

DL&W Sets Commuter Cut-Off

Train-offs affecting 25,000 weekday riders are scheduled for June—unless New Jersey guarantees the road against out-of-pocket losses.

► The Story at a Glance: The Delaware, Lackawanna & Western—one of the nation's biggest commuter railroads—last week took steps to become one of the smallest.

On April 10, the Lackawanna served notice that it would discontinue—as of June 9—suburban and commuter service on all New York metropolitan area lines except its lightly-traveled Boonton Branch.

But the road suggested a five-point alternative: (1) Relief from all New Jersey taxes on its passenger facilities; (2) reasonable consideration of train-off cases by the New Jersey PUC; (3) limited fare increases; (4) a $900,000 a year contribution from the Port of New York Authority toward ferry and terminal deficits; (5) state aid to make up any remaining out-of-pocket deficit.

In return, the Lackawanna would operate the service without profit.

Jersey-bound workers from New York City offices have been getting a close look at the bitter facts of commuter operation in successive doses this month. First, the last legal barriers were cleared, and the New York Central dropped its Hudson River ferries. As a result, paying passengers of River (West Shore) Division commuter trains dropped from 3,000 to 250 daily—whereupon the NYC filed with New York and New Jersey regulatory commissions petitions to end the service.

An earlier shock had come farther down the river. The Jersey Central Lines asked for a 40% increase in commuter rates, which with elimination of the tax on passenger facilities would let it break even on its 10,000 daily passengers.

The most far-reaching event in the Jersey crisis, though, was the Lackawanna's move for discontinuance. The lines affected—the Morristown Line, Hoboken to Dover, the Montclair Branch, and the Gladstone Branch—operate in an area that has no efficient substitute to rail service available. The area lacks direct expressways to New York, and present traffic already jams existing highways twice a day. Moreover, at 1.9 passengers per car, it would take 13,000 vehicles to move the Lackawanna's 25,000 passengers in private automobiles.

With this in mind, the Lackawanna set forth a specific proposal that would permit it to continue operations until a permanent solution could be found.

First, it asked that a bill before the Jersey legislature eliminating taxes on passenger facilities this year be passed. This would save about $400,000 for the DL&W.

Second, it asked cooperation from the Board of Public Utility Commissioners in eliminating non-essential service. The road estimated savings from this at $300,000. Third, DL&W asked a fare increase up to a maximum of $3.00 on some monthly commutation tickets. Fourth, the road asked that the Port of New York Authority recognize its responsibility in creating the critical railroad situation and participate to the extent of $900,000 yearly in meeting ferry and terminal deficits.

Finally, after agreeing to absorb all costs above out-of-pocket and to operate without profit, the road asked that any remaining out-of-pocket deficit be covered by state aid. The Lackawanna estimated that this would have required $200,000 from the state if this plan had been in effect in 1958. As possible sources of state-aid funds, the Lackawanna mentioned "a tax on 'cross-state' heavy trucking, now getting a free ride across New Jersey on tax-provided facilities," and "a franchise tax, in lieu of property taxes not paid by the Port of New York Authority 'river crossings' and facilities in New Jersey, and perhaps on the great property acquisitions of the New Jersey Turnpike and the Garden State Parkway."

"The Lackawanna has confidence that the Legislature and the new Division of Transportation under Commissioner Dwight R. G. Palmer will jointly give this constructive program every consideration," the road told its commuters in announcing its intention to suspend operations.

As background to the DL&W's request, New Jersey legislators have two hard facts to consider: New York's legislature has already passed a bill to relieve commuter lines east of the Hudson, and the four-year struggle to force the NYC to operate West Shore ferries has ended in the loss of the ferry service.

The New York legislation, which has now been signed by Governor Nelson Rockefeller, includes a tax relief program which will eventually save railroads up to $15,000,000 a year.

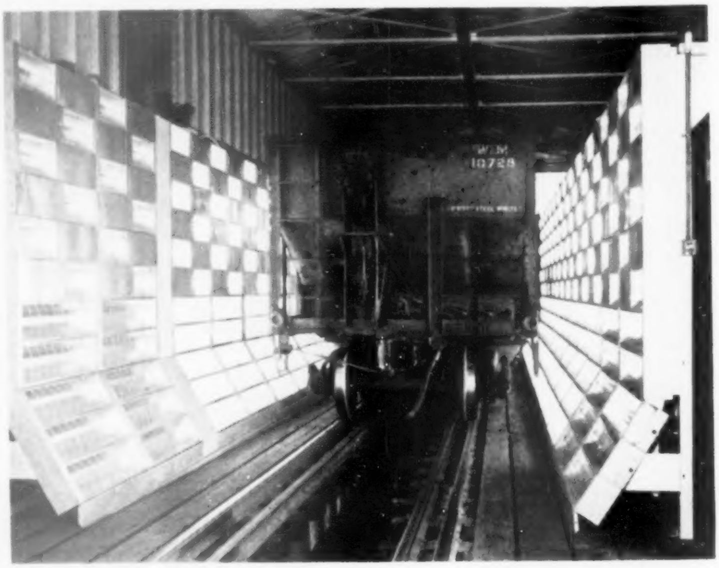
Earlier in the week, Governor Robert Meyner of New Jersey had said that he hoped to find a solution to the commuter problem that would not increase the tax burden on New Jersey citizens. At the same time, he indicated that a survey of the commuter situation would be completed about May 1. Governor Meyner's statement indicated that one plan under study would link the Jersey Central Lines with the Hudson & Manhattan Tubes.

Also last week, a New Jersey commuter group released a letter from Erie president H. W. Von Willer.

"We have no over-all plan for the complete abandonment of all suburban and commuter service," Mr. Von Willer wrote, "but in the absence of any Government assistance in New Jersey, for what is obviously a public service, our only recourse is through the medium of service curtailment and fare increases."

Turbochargers Save Fuel

Four of these AiResearch turbochargers are to be applied to each of 25 Union Pacific GP-9 locomotives starting this month. Installations follow experimental applications of these Garrett Corp. turbochargers on three other UP units which have been in operation over the past three years. Supercharging of the General Motors 1,750-hp, two-cycle engine results in reduction of specific fuel consumption, a rating in excess of 2,000 hp even at UP's highest altitudes, and smoke-free burning of lower-grade fuels because of increased air flow. The 25 GP-9's are to be assigned to the high-altitude sections of the Union Pacific where the effects of supercharging are most pronounced.



Infrared Thaws WM Coal Cars

At Western Maryland's dockside yards in Baltimore last winter a test infrared "lamp oven" loosened frozen coal for rapid dumping. **WM's** operating vice president George M. Leilich foresees this thawing system as having "good possibilities of reducing costs, increasing speed of delivery." Engineers of General Electric, whose 1600- and 3800-watt quartz infrared lamps were used, expect six cars an hour can be thawed in zero weather. Oven was built by Fostoria Pressed Steel Company. Heaviest infrared concentration is at bottom of cars.

AAR Sniffs at 'Red Herring'

The Association of American Railroads has termed railway labor's charges of management featherbedding a "red herring." The countercharge came as part of a four-page memorandum entitled: "Featherbedding: Facts vs. Fancy."

Answering the Railway Labor Executives' Association's charge that the number of employees at the management level has remained stable in the face of sharp declines in over-all employment, the **AAR** says:

"This is another 'red herring' to divert attention from featherbedding in train-operating positions. Demands for supervisory skills to operate today's railroads have paralleled the increasing complexity of plant and equipment and operating methods. Automation and the changing art of railroading have tended to emphasize higher technical skills and administrative abilities.

"In 1958, executives, officials and staff assistants on Class I railroads numbered 15,463—slightly fewer than in 1922. This is 1.8% of total employees, and this group is paid 1.7 cents out of each revenue dollar—as contrasted with the 53 cents paid out of each revenue dollar for total employment costs."

The memorandum also took a look at labor's claim that "in 1898 there were approximately 850,000 rail employees; today that same number is providing five times as much transportation."

"While a similar number of employees is today handling 4.4 times as many ton-miles of freight traffic as 60 years ago, their annual compensation has increased ten times," pointed out the **AAR**. "Thus, labor productivity, in terms of traffic units handled per dollar of employee compensation, has been cut almost in half . . .

"Showing further how labor's wage gains have outrun worker output are these statistics: since 1922 traffic units handled per hour paid for have increased by 220%; yet wages per hour paid for have risen far more—304%.

"In a more recent time span—from 1945 to 1958—Class I railroad employment declined by 41%; yet the total payroll *increased* by 27½%. Revenue traffic units per hour worked increased in this period by 49%; yet straight time earnings per hour worked increased 169%.

Grand Chief Engineer Guy L. Brown of the Brotherhood of Locomotive Engineers, meanwhile, has pointed to what he calls "the underlying falsity of railroad management's fantastic and distorted misrepresentations . . . ."

"There are a lot of things wrong with the railroads," said Mr. Brown, "but more of them are to be found in management practices and in governmental policies toward transportation than in the existing labor agreements. Employees very properly resent being made the scapegoats for the shortcomings and mistakes of those who are far better compensated than they can ever hope to be."

Pennsylvania Speeds Up New York-Washington Trains

Pennsylvania Railroad's study of faster New York-Washington trains (RA, March 2, p. 7) has resulted in a speed-up of 18 trains, effective April 26 with the new timetables. The change cuts 5 to 35 minutes from existing schedules. In announcing the cuts in running time, the Pennsy said that it hoped improved service would bring more passengers to the line.

Passengers on nearly half of the 38 daily passenger trains between New York and Washington will have the benefit of the faster schedules. Eleven trains in the new timetable will be on "Blue Ribbon" schedules of 3 hours and 45 minutes or less. Only three trains in the present timetable are scheduled that fast.

Earle R. Comer, **PRR** general manager of passenger sales, pointed out that "these Blue Ribbon trains will all average over 60 miles per hour for the 226-mile run, including an average of five stops. No automobile or other land transportation can match this speed between New York and Washington." Mr. Comer added that the railroad planned an extensive advertising campaign to promote the faster service when it goes into effect. "We are hopeful," he said, "the new schedules will bring riders back to the rails."

Behind the new schedules is an agreement with the Post Office Department that completely revamps mail-handling procedures now in effect on this run. Under this agreement, 32 of the 38 daily passenger runs will no longer carry working mail, and so will avoid delays inherent in loading and unloading mail at intermediate stops. The remaining six trains will handle first-class preferential mail at intermediate times during the day. Bulk mail, parcel post between the two cities and much of the first class mail, Mr. Comer said, will move in "six exclusive mail and express trains . . . on fast schedules expressly designed to suit the needs of the Post Office."

RAILROADS, OPS SPLIT

(Continued from page 9)

volved in the current dispute expressed willingness to get conference committees working in short order. Indications are that negotiations on the carrier level can be wound up quickly, although one brotherhood president noted that talks have been held up in some areas by late service of carrier notices.

"We're waiting for the carriers to get committees formed," Mr. Fleete commented. "We're ready to meet anytime, the sooner the better. I hope there won't be delay—there'll be none on our part, that's for sure."

One union officer estimated that negotiations might begin "a month or two" after carrier committees are set up.

Brotherhood spokesmen said they expect the talks to be progressed separately but in parallel. The three unions early this year agreed to cooperate in their 1959 wage movements and served uniform notices simultaneously. But they're not regarding the current campaign as a joint movement.

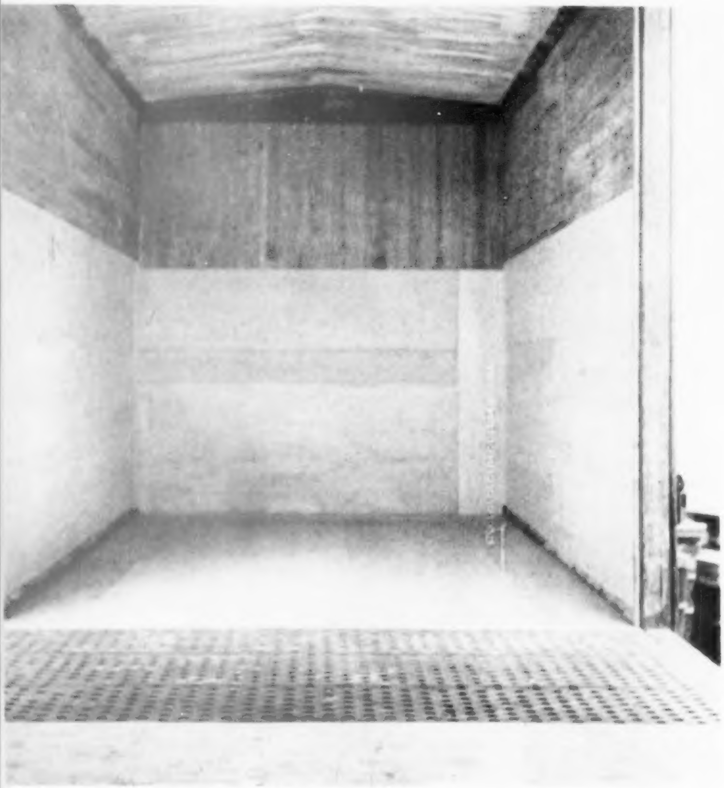
Working rules are not involved in the talks. Nor are the wage scales of the Trainmen, the Firemen and the non-operating group. Their demands are expected later this spring or in early summer.

Chain Stores Seek Answers On Small Shipment Issue

Members of the Chain Store Traffic League will be seeking answers to six major questions at their 20th annual meeting next month. The queries:

- Are carriers generally "derelict in their duty when it comes to the small shipment?"
- Do the carriers make a conscientious effort to understand the small shipment problem?
- Is the small shipment receiving just rates and satisfactory service?
- Are carriers "taking the initiative to cut operating costs and eliminate featherbedding, or are they taking steps that interfere, servicewise, and thus make their business a thing of the past?"
- "Is it the attitude of the railroads and some motor carriers that someone else can handle certain traffic better than they can; therefore, [that] they ought to get out of that segment of their transportation business?"
- "When are the carriers and the ICC going to become fully cognizant of the fact that the small shipment is here to stay and that some system has to be devised to transport it properly in all areas of the country?"

The League's meeting will be held May 6-9 in Boston.



UPGRADING PROGRAM was inaugurated on a test basis over two years ago when a few Class B and C cars were converted to A condition. Photograph shows condition of some cars as they come in for plywood panel relining.

CARS LOOK LIKE THIS when the plywood panels have been installed. Stapling the panels in place saves time and money. Life of the panels is estimated at four to five years. Several thousand units have been upgraded in the program.

Plywood Upgrades SP Box Cars

The Southern Pacific is continuing its program of using plywood panels to convert bruised and battered box cars into top quality units.

SP officers believe their upgrading program is the first in which plywood has been used on a large scale to reline freight cars. Similar work, however, has been done occasionally in the past.

The rough, water-resistant, standard-sized panels of ¼-in. plywood are applied directly over car floors, sidewalls and ends. The sheets are rapidly fastened in place with pneumatic staple guns driven by 90-lb air pressure. Stapling works almost twice as fast as nailing.

Because of the low-cost stapling technique, cars are out of service for only a short time. The program, which assures a steady supply of high-quality cars, is being carried out by the SP's own shop forces. Regular car maintenance—washing and sweeping out grain and debris—is easier on the upgraded cars.

The technique of relining with plywood is based on the SP's former practice of stapling Kraft-coated veneer over scuffed car walls. That was an emergency measure to provide more box cars for handling such cargo as canned goods. However, the veneer only lasted about one season. Plywood is just as easy to install and is expected to last four or five years, according to S. M. Houston, SP's general superintendent of the mechanical department.

As cars come in for relining, they are painted outside, when necessary, and the new SP lettering stencil is applied. If contaminated with oil, creosote or any other foreign material, interiors are cleaned with steam and disinfectants. On Pacific Lines cars, floors are repaired and 10 gallons of floor cement is applied. This is brushed on with a 12-in. push broom and gives a clean non-skid surface.

Any old veneer, where present, is torn out and protruding nails, tacks, etc., are removed. Broken boards on the inner wood wall are repaired. Small gaps in boards are left unpatched. When car ends are bulged, false bulkheads are built to square them. These are covered with ¾-in. by 12-in. lumber the width of the car. Nailing strips, rabbeted to take ¼-in. plywood, are fastened to the sides of both door posts. Another rabbet is cut ½ in. deep in the nailing strips so they fit tightly around the metal door framework.

Exterior grade plywood panels are then overlaid on both walls and ends to a height of either 6 ft or 8 ft. This leaves a gap of approximately 2 in. next to the floor and a 12 to 36 in. gap at the top.

The panels are applied horizontally so that two 4-ft sheets or one 4-ft and and one 2-ft sheet make up the required height. Joints are staggered and any trimming is done on the job with a portable electric or hand saw. Installers shoot staples horizontally at 6 in. intervals around the perimeter of each panel.

Properly stapled, Mr. Houston says, the panels don't warp even when wet repeatedly.

CANADIAN PACIFIC RAILWAY COMPANY

Seventy-Eighth Annual Report of the Directors to the Shareholders

(abridged)

Highlights

YEAR'S RESULTS	1958	1957	Increase or *Decrease*
Railway Revenue	$ 467,410,853	$ 487,565,479	*$20,154,626*
Railway Expenses	430,919,006	449,319,097	*18,400,091*
Net Earnings	36,491,847	38,246,382	*1,754,535*
Ratio Railway Expenses to Railway Revenue	92.2%	92.2%	
Other Income	$ 13,408,712	$ 23,441,276	*$10,032,564*
Interest and Rental Charges	16,997,521	14,901,935	2,095,586
Dividends—Preference Stock	3,068,538	3,029,053	39,485
—Ordinary Stock	21,217,963	21,090,379	127,584
Balance for Modernization and Other Corporate Purposes	8,616,537	22,666,291	*14,049,754*

YEAR-END POSITION	1958	1957	Increase or *Decrease*
Working Capital	$ 82,197,504	$ 63,940,973	$18,256,531
Investments	163,197,279	136,334,723	26,862,556
Properties	2,278,665,735	2,229,262,112	49,403,623
Funded Debt	192,471,000	144,133,500	48,337,500
TAX ACCRUALS			
Income Taxes	$ 23,640,000	$ 30,500,000	*$ 6,860,000*
Property and Other Taxes	10,909,292	11,290,160	*380,868*
TRAFFIC			
Tons of Revenue Freight Carried	54,367,279	58,493,389	*4,126,110*
Revenue Passengers Carried	7,745,860	8,037,390	*291,530*
Revenue per Ton Mile of Freight	1.47c	1.50c	*0.03c*
Revenue per Passenger Mile	3.08c	2.89c	0.19c
EMPLOYEES			
Employees, All Services	82,853	89,720	*6,867*
Total Payroll	$ 316,116,884	$ 322,226,843	*$ 6,109,959*
Average Annual Wage	$ 3,815	$ 3,591	$ 224

Your Directors present herein their report on the results and developments of the past year.

The decrease in the volume of industrial production in Canada in 1958 contributed to a lessening of demand for many of your railway services. Nevertheless, your Directors feel that the year was one of solid achievement. Real progress was made in the use of modern methods and the decline in revenue was matched by a proportionate reduction in expenses. The outcome of the dispute as to the need for firemen on diesel locomotives in freight and yard service, the activity now underway to integrate the handling of less-than-carload and express traffic, and the growing success of your piggyback service which became evident during the year, give promise of a steady increase in the efficiency and quality of railway service.

Railway revenue was 4% below that of the previous year notwithstanding that higher freight rates produced an increase of $7.9 million in revenue in 1958 and that revenue in 1957 had been adversely affected by a nine-day strike.

Freight traffic volume measured in ton miles showed a net decrease of only 1.5%. The lesser decline in volume than in revenue resulted from the fact that a major increase occurred in the movement of low-rated grain and grain products while higher-rated general freight traffic decreased. The grain and grain products movement, the largest part of which is at the fixed statutory Crowsnest Pass rates, accounted for 34% of all freight service performed in 1958 but produced only 14% of total freight revenue.

Rising labour costs were again of paramount concern to your Company. Agreements with organized employees for increases in wage rates recommended by a Board of Conciliation which were in part retroactive to January 1, 1958, were concluded only after the necessary revenue was ensured from an increase in freight rates. The increase in the general level of freight rates authorized by the Board of Transport Commissioners was 17% effective December 1. An appeal to the Governor-in-Council by objecting provinces was dismissed.

Faced during the year with falling revenue, rising labour costs, and the fixed nature of many railway expenses, your management acted promptly to control expenses. This measure and the economies resulting from the use of more efficient equipment and methods held the decline in net earnings to $1.8 million from the previous year. The rate of return on your net investment in railway property was 2.7%.

Other Income declined by $10.0 million as a result of decreases in income from almost all sources. Dividends declared by The Consolidated Mining and Smelting Company of Canada Limited were sharply lower, and losses were incurred in the operation of your steamships, air lines and hotels. Net income from petroleum rents, royalties, reservation fees and land rents was also lower mainly as a result of unfavorable market conditions for crude oil.

Net Income, after fixed charges, amounted to $32.9 million and represented earnings of 3% on Shareholders' Equity of $1,113 million. After providing for dividends of 4% on Preference Stock and $1.50 per share on Ordinary Stock, there was left a balance of $8.6 million available for modernization and other corporate purposes.

Capital expenditures in the amount of $94 million were undertaken during the year. Of this, $81 million was expended on railway plant and equipment, and the remainder on communications, hotels, steamships and other properties. Gross investment in Properties at year end was $2,279 million, an increase of $49 million, and working capital, at $82.2 million, was up $18.3 million from 1957.

The Income and Retained Income Accounts show the following for the year ended December 31, 1958:

Income Account

Railway Revenue		$467,410,853
Railway Expenses		430,919,006
Net Earnings		$ 36,491,847
Other Income		13,408,712
		$ 49,900,559
Fixed Charges		16,997,521
Net Income		$ 32,903,038
Dividends:		
Preference Stock	$ 3,068,538	
Ordinary Stock	21,217,963	
		24,286,501
Balance transferred to Retained Income Account		$ 8,616,537

Retained Income Account

Retained Income (Balance), December 31, 1957		$487,320,647
Balance of Income Account for the year ended December 31, 1958	$ 8,616,537	
Net Proceeds from Sales of Lands and Townsites	4,682,211	
Excess of considerations received for sales of properties over book values	2,550,416	
Miscellaneous (Net)	622,528	
		16,471,692
Retained Income (Balance) December 31, 1958, as per Balance Sheet		$503,792,339

Railway Operations

Net railway earnings amounted to \$36.5 million, a decrease of \$1.8 million, or 5%, from the previous year. The ratio of net earnings to gross revenue was 7.8% and while this ratio was the same as that of the previous year, it was substantially less than adequate. Railway revenue, at \$467 million, was \$20 million, or 4%, lower than in 1957. Freight traffic, which provided four-fifths of total revenue, accounted for \$15 million of this decrease. Expanded common carrier piggyback services added \$4.5 million to freight revenue and freight rate increases approximately \$7.9 million. Despite the yield from increased freight rates, the average revenue for the carriage of a ton of freight a distance of one mile decreased from 1.50¢ to 1.47¢. This was the result of a 6% increase in the movement of low-rated grain and grain products, and a decrease of 5% in the total of all other commodities.

There were marked decreases in ton miles of animals and animal products; mine products; logs and pulpwood; manufactured goods, including non-ferrous metals, iron and steel products, heavy machinery, agricultural implements, automobiles and newsprint; miscellaneous commodities, mainly petroleum products, cement and less-than-carload merchandise. Contrasting with this general decline, there were, in addition to the increase in volume of grain and grain products, increases in fruits and vegetables, iron ore, lumber, woodpulp, paperboard and canned goods. The volume of merchandise traffic handled in piggyback service for common carriers was approximately 780,000 tons. This exceeded the volume of less-than-carload traffic, which between 1947 and 1958 dropped from 1,681,000 tons to 557,000 tons.

Passenger traffic decreased from 1.3 billion to 1.1 billion revenue passenger miles. The number of passengers carried declined from 8.0 million to 7.7 million, and the average passenger journey, at 148 miles, was 18 miles shorter than in 1957. In addition to a decrease in ordinary passenger traffic, decreases occurred in military traffic, immigration and other traffic originating in Europe, and in interline traffic.

Mail revenue decreased, partly as a result of passenger train service reductions to eliminate unprofitable services.

Express revenue was up slightly from 1957 as a result of rate increases. Expenses increased less than revenue and, as a result, the net earnings of your Express Company carried to railway earnings as compensation for the carriage of express traffic were higher by 1%.

Railway expenses, at \$431 million, were \$ 18 million, or 4%, below the previous year. This decrease was in full proportion to the decrease in revenue and was achieved through reductions in maintenance work and savings produced from capital outlays, notably for diesel locomotives, despite the fact that higher wage costs added \$9.7 million to expenses.

It has been deemed prudent to adopt in the accounts of your Company the straight-line basis of depreciation adopted by the Board of Transport Commissioners for rate-making purposes. This change was effective July 1, and depreciation accruals were \$1.7 million higher than they would have been had the user basis of depreciation continued for the full year.

Road maintenance expenses were 3% below those of 1957. This decrease was the result mainly of reduced repair work on structures. Track maintenance expenditures were near the level of the previous year.

Equipment maintenance expenses decreased 2%. There was a marked decrease in locomotive repair expenses as fewer steam locomotives underwent heavy repairs, although this was partly offset by an increase in diesel locomotive repair expense as more units came due for extensive overhaul. Freight car repair expense was down 6%. There was a reduction in the number of cars repaired during the year, particularly those requiring major repairs.

Transportation expenses decreased 5%, and for the fourth successive year the ratio of transportation expenses to railway revenue was reduced. The increased use of diesel locomotives in road and yard service and of rail diesel cars in passenger service resulted in a saving in fuel, train crew wages and enginehouse expenses of some \$10.6 million as compared with the previous year. The proportion of total transportation work performed by diesel power in the year averaged 89% in freight service, 91% in passenger service and 89% in yard service. Notable improvements continued to be effected in service and operating efficiency, and increases were again recorded in average freight train speed and train load. This resulted in a new high in gross ton miles per freight train hour, which in 1958 represented an increase of 57% over 1948.

Other Income

Other Income, after income taxes, amounted to \$13.4 million, a decrease of \$10.0 million from the previous year.

Steamship operations resulted in a deficit of \$1.2 million as compared with a profit of \$2.0 million in 1957. Freight revenue from your ocean steamships was adversely affected by depressed ocean rates, particularly on grain and flour, and reduced eastbound traffic. Passenger volume was lower largely owing to reduced immigration traffic, and fewer sailings as a result of the withdrawal from service of the "Empress of Scotland" which had operated for eleven months in 1957. Operation of your coastal steamships resulted in a deficit. The decrease in revenue, owing to the strike of steamship employees on the Pacific Coast, was greater than the decrease in expenses.

Operation of hotels resulted in a deficit of \$2.1 million as compared with a profit of \$97,000 in 1957. The decrease reflected increased wage costs; the limitation of facilities at the Royal York Hotel owing to construction work on the new extension; and the adverse effect on revenue of the Empress Hotel from the strike of British Columbia Coastal Steamship employees.

Net earnings from communication services amounted to \$2.4 million as compared with \$2.2 million in the previous year. An improvement in revenue exceeded the increase in expenses resulting from higher labour costs.

Dividend income, at \$7.9 million, was down \$4.7 million. Dividends from your holdings of Capital Stock of The Consolidated Mining and Smelting Company of Canada Limited at the rate of \$0.80 per share amounted to \$6,730,000 as compared with a rate of \$1.35 per share amounting to \$11,356,875 in the previous year. Earnings per share of that Company were \$0.86 in 1958 and \$1.13 in 1957.

Net income from petroleum rents, royalties, reservation fees and land rents, before provision for income taxes, amounted to \$6.8 million, a decrease of \$1.6 million. The decrease reflects generally unfavourable markets for crude oil and the transfer of certain revenue-producing mineral rights to your wholly-owned subsidiary, Canadian Pacific Oil and Gas Limited. Royalties were received by your Company on 11.2 million barrels of crude oil production as compared with 17.9 million barrels in 1957. At the end of the year there were 720 producing wells from which royalties were being received as compared with 895 at the end of 1957. Particulars as to the revenue-producing mineral rights transferred are given in the section of the Report covering the subsidiary company.

Net income from interest, separately operated properties and miscellaneous sources amounted to \$3.8 million, a decrease of \$1.4 million. This was the result of charges against income arising from losses of Canadian Pacific Air Lines, Limited, and Canadian Pacific Transport Company, Limited.

Fixed Charges

Fixed Charges, at \$17.0 million, were \$2.1 million higher than in 1957 as a result of the issue of \$40 million of Twenty-five Year 5% Collateral Trust Bonds, dated February 1, 1958, and \$20 million of $4\frac{1}{2}$% Equipment Trust Certificates, Series O, dated June 2, 1958.

Net Income and Dividends

Net Income, after fixed charges, at \$32.9 million, was down by \$13.9 million. After provision for dividends on Preference Stock, earnings available for dividends on Ordinary Stock and for reinvestment amounted to \$29.8 million. This was equal to \$2.09 per share on 14,211,783 shares of Ordinary Stock outstanding at the end of the year, compared with \$3.11 per share on 14,066,271 shares at the end of 1957.

Dividends were declared on Preference Stock at the same rates as in 1957, comprising 2% paid August 1, 1958, and 2% paid February 2, 1959. Dividends on Ordinary Stock amounted to \$1.50 per share, the same as for the year 1957, comprising 75 cents paid August 1, 1958, and 75 cents paid February 27, 1959.

Land Transactions

Net proceeds from sales of lands and townsites amounted to $4.7 million, a decrease of $2.9 million. Sales included 9,587 acres of timber land, 4,485 acres of farm land, and mineral rights in 36,787 acres of land conveyed to your wholly-owned subsidiary Canadian Pacific Oil and Gas Limited. Contracts involving 6,375 acres of land sold in prior years were cancelled.

Balance Sheet

Total assets at the end of the year amounted to $2,655 million, an increase of $102 million.

Working capital, at $82.2 million, was up $18.3 million.

Investments made by your Company included purchases of Common and Preference Stock of Smithsons Holdings Limited for $7.7 million and $510,000, respectively; Preference Stock of Smith Transport Limited in the amount of $137,000; Capital Stock of Canadian Pacific Transport Company, Limited, and Canadian Pacific Steamships, Limited, in the amounts of $1.0 million and $385,000, respectively; and Capital Stock and First Mortgage Bonds of Northern Alberta Railways Company in the amounts of $1.1 million and $2.0 million, respectively.

The net additions to Properties, after retirements, were $49.4 million. The railways and undertakings of nine wholly-owned leased railway companies having a book cost of $22,510,584 were vested in your railway. The total book cost of railway properties is not affected by the resultant transfer of assets.

The Tax Equalization Reserve, recording the amount of income tax liability arising since 1954 from taking capital cost allowances for tax payment purposes in excess of depreciation accruals charged income, increased by $2.2 million. A decision was made by your Directors not to claim capital cost allowances in excess of depreciation accruals in respect of rail property. This step was taken as a result of a decision of the Governor-in-Council on an appeal from the decision of the Board of Transport Commissioners which in effect deprived your Company of the advantages provided by the Income Tax Regulations in respect of capital cost allowances.

Shareholders' Equity per $25.00 of capital stock amounted to $56.50 at year end, an increase of $11.00, or 24%, since 1949. The increase in Shareholders' Equity in this period, amounted to $255 million, of which $235 million resulted from the reinvestment of retained earnings in your enterprise and $20 million from the increase in Ordinary Stock outstanding owing to conversions of Collateral Trust Bonds.

Finance

As noted in the last Annual Report, Twenty-five Year 5% Collateral Trust Bonds, dated February 1, 1958, were issued and sold in the principal amount of $40 million, secured by pledge of $48 million principal amount of Consolidated Debenture Stock.

On June 2, The Royal Trust Company, as Trustee, entered into an agreement whereby $20 million principal amount of Equipment Trust Certificates was issued, guaranteed as to principal and interest by your Company. This issue, designated as Series O, maturing in equal annual instalments from June 1, 1959, to June 1, 1968, inclusive, is payable in Canadian currency, and bears interest at 4½% per annum. Under the agreement, equipment constructed or to be constructed at an estimated cost of $25,016,546 in Canadian funds is leased to your Company at a rental equal to the instalments of principal and interest on the Equipment Trust Certificates.

Serial equipment obligations amounting to $8,018,000 were discharged; $3,618,500 Convertible Twenty Year 3⅛% Collateral Trust Bonds, $8,000 Convertible Fifteen Year 3½% Collateral Trust Bonds and $18,000 Convertible Seventeen Year 4% Collateral Trust Bonds were converted into 145,512 shares of Ordinary Capital Stock.

The foregoing transactions resulted in a net increase of $48,337,500 in funded debt, an increase of $43,626,600 in the amount of Consolidated Debenture Stock pledged as collateral, and an increase of $3,637,800 in the amount of Ordinary Capital Stock outstanding.

Pensions and Other Benefits

Pension expense amounted to $22.3 million, an increase of $1.0 million, or 4%. This outlay comprised the portion of pension allowances currently paid by your Company, a contribution of $6.4 million to the Pension Trust Fund, and levies in respect of employees covered by the United States Railroad Retirement Act.

Contributions by your Company in respect of employee health and welfare benefit plans and unemployment insurance amounted to $5.1 million. This compared with $4.7 million in 1957.

Wages and Working Conditions

Early in the year your Company affirmed its intention to implement the Report of the Royal Commission which had found that firemen were not required by your Company on diesel locomotives in freight and yard service. A strike called by the firemen's union was terminated on May 13, after three days' duration, by the signing of an agreement. It provided that firemen having seniority prior to April 1, 1956, would continue to work as such, but would not be replaced, and that while the employment of those having seniority from that date onward would be terminated, they would be given preference for re-employment with your Company in other capacities.

Following authorization of an increase in freight rates by the Board of Transport Commissioners, agreement was reached with the unions representing the non-operating employees for increases in wages and benefits on the basis of recommendations of the Conciliation Board to which the dispute had been referred. The agreement, effective until December 31, 1959, provided for wage increases of 4¢ per hour from January 1, 1958, 3% from September 1, 1958, and 3% from April 1, 1959; an increase to $4.87 from $4.25 in the monthly contribution paid by your Company per employee for health and welfare benefits; and an increase in vacation with pay to four weeks from three weeks for employees with 35 years or more of service.

Requests were made by unions representing operating employees for wage increases amounting to 25% for conductors, trainmen and yardmen, and 18% for locomotive engineers, firemen and hostlers, and for a number of changes in operating rules. An agreement effective to January 1961 was reached with locomotive engineers on Eastern Region providing for wage increases of 4¢ per hour from July 14, 1958, 3% from March 14, 1959, and 4½% from October 14, 1959; for certain rules changes and reductions in arbitraries; and for an additional paid statutory holiday in yard service. Negotiations with locomotive engineers on Prairie and Pacific Regions were continued. Negotiations with the firemen's union, which attempted to revive the issue of the use of firemen on diesels, were not successful, and the union requested that the matter be referred to a Board of Conciliation to hear all items in dispute. The Minister of Labour has advised that the terms of reference to the Board will not include the diesel issue.

Disputes over wage rates and other matters led to a strike by personnel of your British Columbia Coastal Steamships service from May 16 to July 26. Service was resumed under terms of an Act passed by the Parliament of Canada placing the operations under control of a Federal Administrator. Agreements extending to August 1961 were concluded early in 1959, providing for graduated wage increases to September 1960, and for other benefits.

Negotiations with employees of the Royal York Hotel resulted in an agreement, effective until August 15, 1960, providing for graduated wage increases.

Steamships

The keel of your third new passenger-cargo liner was laid on January 27, 1959. This vessel, which will accommodate over 1,050 passengers and will be the largest in your ocean fleet, is expected to enter regular North Atlantic service in the spring of 1961. Passenger carryings of your passenger-cargo liners were well maintained, having regard to prevailing conditions.

The "Empress of England" completed a successful first season in West Indies cruise service, having replaced the "Empress of Scotland" which was sold early in 1958. Because of the increased capacity of the new vessel, and the higher standard of its facilities, the number of cruise passengers reached a post-war high.

Cargo operations between United Kingdom and Great Lakes ports,

(Advertisement)

which were inaugurated in 1957 with two small chartered vessels, were continued in 1958 with four such vessels. With the opening of the St. Lawrence Seaway in 1959, it is planned to operate this service with four chartered ships, but two of these will be slightly larger and faster than those operated in 1958.

Three of your coastal steamships were sold during the year. The "Yukon Princess", formerly assigned to the Alaska service, was sold in April. The "Princess of Alberni" and the "Queen of the North", which had served the West Coast of Vancouver Island and Northern British Columbia ports, respectively, were sold in July.

Air Lines

Your Air Lines had a net loss of $1.9 million after taking up profits of $412,000 from the sale of aircraft, buildings and equipment. This loss reflects the operation of restricted frequencies on light-density routes which is an outgrowth of the fact that the Government-owned Air Line has been given the overriding right in the international field as well as being the chosen instrument domestically.

Revenue from domestic services decreased 21%. Certain schedule and charter services were discontinued in 1957 and there was reduced activity in the British Columbia forest and construction industries. A new service from Vancouver to Kelowna, using DC-3 aircraft, was introduced in the summer of 1958.

Revenue from international services increased 29%. All routes showed substantial improvements in traffic, with the Mexico-Madrid and Vancouver-Orient services recording the greatest increases. The addition of Edmonton as a traffic point on the Vancouver-Amsterdam route and of Santa Maria on the Montreal-Madrid route; the introduction of Britannia aircraft on services between Vancouver and Europe, the Orient and Honolulu; and special fares all contributed to this improvement.

New equipment placed in service during the year consisted of six Bristol Britannia turboprop and four DC-6A aircraft, together with one Britannia and one DC-6 flight simulator. Five DC-3 aircraft were sold, leaving a fleet of 41 aircraft at the year end.

As a result of the application filed with the Air Transport Board in 1957, and in accordance with the Board's Report following public hearings, your Air Lines will be permitted to operate a transcontinental service, limited to one flight per day in each direction, between Vancouver, Winnipeg, Toronto and Montreal.

Canadian Pacific Oil and Gas Limited

Your wholly-owned subsidiary Canadian Pacific Oil and Gas Limited, incorporated January 3, 1958, issued shares of its Capital Stock to your Company in exchange for certain mineral rights.

In its first year of operation your Oil and Gas Company received $687,000 from the mineral rights transferred from the Parent Company. Royalties were received on 1.9 million barrels of crude oil from 299 producing wells. Ten gas wells were drilled of which six proved to be commercially productive and are presently capped. In addition, working interests averaging 37½% were acquired in three commercially productive gas wells drilled by other companies under farmout agreements.

An agreement providing for the sale to Trans-Canada Pipe Lines Limited of gas to be produced from wells in the Province of Alberta has been signed, and delivery thereunder is expected to commence late in 1959.

United States Subsidiaries

Income from your holdings of General Mortgage Income Bonds and Common Stock of the Minneapolis, St. Paul and Sault Ste. Marie Railroad Company, amounted to $483,000. Of this amount $131,000 was from interest and $352,000 from dividends. The net income of that Company in 1958, after provision for fixed and contingent charges, was $2.0 million, an increase of $334,000.

Interest income amounting to $115,000 was received from your holdings of First Mortgage Income Bonds of the Duluth, South Shore and Atlantic Railroad Company. The net income of that Company, after provision for fixed and contingent charges, amounted to $134,000, while in 1957 income was not sufficient to meet contingent charges in full.

Income from your holdings of First Mortgage Bonds, General Mortgage Income Bonds, and Common Stock of the Wisconsin Central Railroad Company amounted to $601,000. Of this amount, $518,000 was from interest and $83,000 from dividends. The net income of that Company, after provision for fixed and contingent charges, amounted to $441,000, an increase of $251,000 over 1957.

Rates

On September 16, an application was submitted to the Board of Transport Commissioners for a 19% interim increase in the general level of freight rates to cover additional costs that would be incurred on wage settlement with your non-operating and other employees. A judgment was issued by the Board on November 17 authorizing an increase of 17% effective December 1, to which reference has been made earlier in this Report. The application also requested such additional relief as would permit attainment of the permissive level of earnings established by the Board as fair for your Company. Hearings will commence on this section of the application on May 19, 1959.

Increases in freight rates averaging 3% granted to railroads in the United States were made applicable in Canada to international, overhead and certain import, export and related traffic, effective February 15, 1958, by authorization of the Board of Transport Commissioners.

Your Company continued to secure competitive freight traffic through negotiation of agreed charge contracts. One hundred and thirty-five such contracts were put into effect, the largest number in any one year, bringing to 364 the number in effect at year end.

Railway mail rates were increased 17% effective December 1, and there were increases in certain express rates.

Services

During the year, 122 diesel units were acquired in the furtherance of the diesel locomotive programme. These comprised 106 diesel-electric road switchers and 11 diesel-electric and 5 diesel-hydraulic yard switchers. The third stage in the gradual enlargement of the diesel maintenance shop at Montreal, to keep pace with the increasing use of diesel power, was completed, and an extension to the maintenance shop at Calgary was near completion and was in operation at the end of the year.

New freight train cars numbering 2,091 were placed in service, including 300 flat cars equipped for piggyback service. In addition 300 refrigerator cars were modernized to meet traffic requirements.

Twelve rail diesel cars were added to your passenger train fleet. At year end there were 55 of these cars in service operating on 4,400 miles of route.

The track replacement programme included the laying of 547 miles of new and relay rail, the installation of 1.8 million ties and the re-ballasting of 317 miles of track. Automatic block signals were installed on 53 miles of road, bringing to 3,267 the total mileage so equipped. The installation of a centralized traffic control system was completed on an 87-mile section of the line between Montreal and Toronto which permits the direction, by means of remotely controlled signals and switches, of trains over the main line or into sidings, thereby increasing the efficiency and capacity of the line.

The construction of two vertical lift bridges and related works for the St. Lawrence Seaway Authority at the location where your railway crosses the seaway near Montreal was virtually completed.

The common carrier piggyback service, introduced between Montreal and Toronto in October, 1957, was extended to New Brunswick, to the head of the Great Lakes and into Western Canada.

Your Company added to its highway operations by acquiring control of Smithsons Holdings Limited, which Company wholly owns Smith Transport Limited, Canada's largest trucking concern, and a number of related companies in the highway transport business.

Top priority was given to the co-ordination of rail and truck operations with a view to effecting complete integration of merchandise traffic services. A new department, Merchandise Services, was set up to study, plan and implement by progressive

steps the necessary changes in organization, administration, methods of operation, facilities and equipment.

During the year, 591 new manufacturing, warehousing and distributing businesses were located on or adjacent to the lines of your railway. Of these, 151 required industrial trackage, and a total of 31 miles was constructed to serve them.

A fifth consecutive award for public safety was received from the National Safety Council in Chicago, and the constant endeavour of your Company to provide safeguards against injury continues to meet with gratifying results.

Construction has been completed of buildings at Nelson and Winnipeg to accommodate communications and other departments.

The new extension to the Royal York Hotel was formally opened on February 21, 1959. This extension has added 400 new rooms, bringing the total to 1,600 and provides additional banquet and convention facilities.

Telex, the teleprinter exchange service operated jointly with Canadian National, was extended through arrangements with the Western Union Telegraph Company to connect with points in the United States. This service, which has received wide acceptance, now links a network of subscribers in Canada, United States, United Kingdom, Europe, Africa, Australia, Japan and South America. The television network, also operated jointly with Canadian National, was extended to include Trois Rivières.

Integrated Data Processing

During the year, further important segments of the paper work of your Company were mechanized, using the high speed electronic computer. Emphasis in the Integrated Data Processing programme moved to refinements in presentation of output, and the provision of entirely new information, as a more effective tool for management.

The first application of simulation of physical operations on the computer was completed, and the results are being brought into use. Studies along these lines are being directed toward determining maximum utilization of motive power and car equipment, evaluation of factors in design of terminal facilities, and other problems where the computer can be used to assist management to select from a number of different possible courses of action, that which will lead to the highest degree of operating efficiency.

Capital Appropriations

Capital appropriations amounting to $10.4 million, in addition to those forecast in the last Annual Report, were authorized by your Directors during the year. These included $3.3 million for the purchase of the 300 flat cars for piggyback services, $1.4 million for 6 rail diesel cars and spare components, $1.0 million for construction of new trackage and $1.6 million for additions and replacements to communication facilities.

It is anticipated that capital appropriations for the year 1959 will amount to $78.9 million.

The appropriations for rolling stock include provisions for 64 diesel locomotive units and 2,150 freight cars, comprising 1,500 box, 500 trailer flats, and 150 covered hoppers.

Patrons, Officers and Employees

Your Directors welcome this opportunity to express once again to shippers and the traveling public appreciation for their patronage of Canadian Pacific services throughout the year and to acknowledge the continued efficiency of officers and employees which is so essential to the progress of your Company.

For the Directors,

N. R. Crump, President.

Montreal, March 9, 1959.

CANADIAN PACIFIC RAILWAY COMPANY

GENERAL BALANCE SHEET, DECEMBER 31, 1958

ASSETS

Current Assets:		
Cash	$ 38,692,145	
Temporary Cash Investments	41,528,531	
Special Deposits	4,893,937	
Agents' and Conductors' Balances	22,690,176	
Other Accounts Receivable	19,987,191	
Material and Supplies	44,942,276	
		$ 172,734,256
Deferred Payments and Mortgages on Properties		8,137,922
Unsold Lands and Properties		9,332,178
Insurance Fund		13,188,540
Deferred Debits:		
Prepaid and Unadjusted Charges	$ 4,788,088	
Unamortized Discount on Funded Debt	4,526,814	
		9,314,902
Investments:		
Controlled Companies	$ 125,075,121	
Other Companies	38,122,158	
		163,197,279
Properties:		
Railway	$2,053,450,358	
Communications	57,303,370	
Hotels	72,160,713	
Steamships	84,706,552	
Other Properties	11,044,742	
		2,278,665,735
		$2,654,570,812

LIABILITIES

Current Liabilities:		
Accounts Payable and Wages Accrued	$ 51,422,777	
Taxes Accrued	14,946,532	
Dividends Declared	12,628,696	
Other Current Liabilities	11,538,747	
		$ 90,536,752
Deferred Liabilities		3,380,902
Deferred Credits and Reserves:		
Deferred Credits	$ 4,081,852	
Tax Equalization Reserve	35,000,000	
Insurance Reserve	13,188,540	
Investment and Other Reserves	6,380,714	
		58,651,106
Provision for Depreciation		903,544,379
Funded Debt		192,471,000
Debenture Stock		292,548,888
Shareholders' Equity:		
Preference Stock	$ 137,256,921	
Ordinary Stock	355,294,575	
Premium on Stock	37,999,049	
Donations and Grants	79,094,901	
Retained Income (Balance)	503,792,339	
		1,113,437,785
		$2,654,570,812

S. J. W. LIDDY,
Comptroller

AUDITORS' REPORT TO THE SHAREHOLDERS OF CANADIAN PACIFIC RAILWAY COMPANY:

We have examined the above General Balance Sheet of the Canadian Pacific Railway Company as at December 31, 1958, and the related financial statements, and have obtained all the information and explanations we have required. Our examination included such tests of accounting records and other supporting evidence and such other procedures as we considered necessary in the circumstances.

In our opinion the General Balance Sheet and related financial statements are properly drawn up so as to present fairly the financial position of the Canadian Pacific Railway Company at December 31, 1958, and the results of its operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the Company.

Montreal, March 6, 1959

PRICE WATERHOUSE & CO.,
Chartered Accountants.

(Advertisement)

NYC JOB APPRAISALS

(Continued from page 15)

part of the appraisal process, each manager indicates on a separate form his opinion on the possibility of finding a replacement for the appraisee, either from within his own ranks, from some other source on the railroad, or from some outside source.

If a replacement is available from the ranks, the appraisee gets a green code; if one is available from the railroad but not from among the man's subordinates, a yellow code. If no replacement is known on the railroad, a red code indicates possible trouble.

Unlike the appraisal committee report, these forms are part of the permanent record and do go up the chain of command, ending in the appropriate department head's file.

To help change "reds" to "yellows," an inventory of potential talents is being maintained by the director of management development. Before a man's name may appear on it, his appraisal committee must decide that his job performance warrants his being considered for promotion or re-assignment to another position appropriate to the further development of his career.

When the man's interview with his boss takes place, he is told whether his committee has approved him for the central management register. A man who has been recommended—if he wants to be considered for possible vacancies he may be qualified for or interested in—fills out a personal data card and sends it directly to the director of management development. These forms, filed on McBee Keysort cards, make up the central management register, and form the basis of the Job Experience Opportunity Plan.

This listing may help some other manager change some of the "reds" in his Management Succession Planning Tables to "yellows" by steering him to possible replacements. Or it can be used to fill vacancies as they come up.

The plan provides for quarterly reports showing a statistical breakdown of talent on file by occupation and salary range within occupation. These will go to NYC's top 60 officers as well as to all whose cards are on the register. By late 1960 these will provide the trend data necessary to sound and foresighted management planning.

To stay on the central management register, a man must requalify and send in a new registration after every appraisal meeting. Otherwise, he will be automatically dropped after a year.

Railroading  After Hours with Jim Lyne

FREE RIDES IN CITIES—Urban transportation of passengers should be provided free—such is the arresting suggestion made by Professor L. L. Waters of Indiana University in "Business Horizons," the university's quarterly business periodical. Free transportation would not mean public operation, necessarily, because the transit district could put the job up to competitive bidding by private operators.

The advantage to municipalities, Professor Waters argues, would be to avoid the great expense of building additional highways, and to accomplish the same result of reduced congestion at lower cost by inducing people to leave their cars at home, instead of driving to work.

Meantime, a New York City official (First Deputy City Administrator Lyle C. Fitch) has suggested that highway congestion could be reduced by the simple device of putting up a toll gate wherever congestion develops. Tolls could vary with the degree of congestion, being low in "off hours." Seems to me that his idea, combined with Professor Waters' proposal, would solve a lot of pressing problems that confront every city in the country.

LETTERPRESS IN USE—One of those old-style letterpresses I've mentioned here several times is not only still on railroad property, but continues in use. My informant is General Manager O. W. Limestall of the Rock Island at El Reno. He said he and Assistant Vice President—Operations E. E. Foulks were recently looking over the Burlington-Rock Island at Galveston and he noted one of the copying presses—a relatively large one, equipped with a marine-type wheel. The press is no longer used for copying, but it comes in handy as a compressor, for binding station records.

WHY "19" AND "31"?—Division Engineer A. F. Joplin of the CPR at Revelstoke, B.C., wants to know why "31" and "19" train orders are so designated. Why, that is, were these two numbers chosen to designate two different types of orders—one restrictive and the other not? I did a little investigating, but so far haven't come up with an answer. Does anybody know the answer?

On the matter of using green flags on the engine, to signify a following section, Mr. Joplin says he understands that originally the flags for this purpose were red; and that the long-and-two-short whistle blast, used to call attention to the flags, is the telegraph code for "D" (danger). Sounds plausible. Can anybody verify or disprove it?

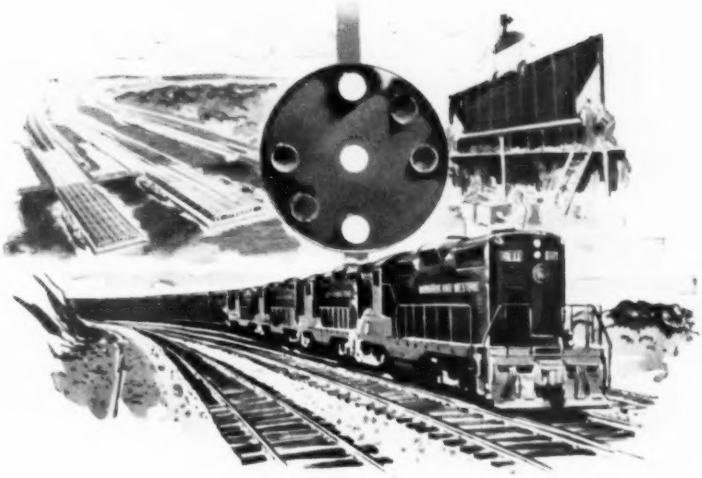
MUSEUM DIESEL—I have a note from President John Roberts of the National Museum of Transport at St. Louis, telling of the acquisition of B&O Diesel No. 50—believed to be "the first non-articulated, high-speed, main-line diesel locomotive to go into regular service in the U.S." The Museum now counts 27 locomotives among its exhibits.

LIKES MEXICAN RAILWAYS—Santa Fe Conductor W. W. Boggan of Winslow, Ariz., has recently completed a railroad trip all the way down through Mexico and into Guatemala—and he agrees with what I said here about the interesting train ride from Laredo to Mexico City. He found similar interest, plus comfort and warm hospitality everywhere he went south of the border.

Mr. Boggan said he'd heard lots of reports about Mexican railroaders—"how they'd stop for a meal or a siesta wherever they felt like it." Such stories, he reports, are the bunk. He goes on:

"Trains in Mexico are operated just as they are in the States or in Canada—timetables, train orders, standard watches, book of rules. Trainmen use the same signals we do. Some of their equipment may be old, and some of their practices no longer in general use up north—but that's the only difference. They still use 'hay-burner' oil lanterns and the '31' order is still common. There are lots of employees, and trains are shorter. It's like U.S. railroading was in the '20's."

Annual Report 1958



NORFOLK and WESTERN RAILWAY

The year 1958 was one of major gains in the operating efficiency and profit-making potential of Norfolk and Western Railway.

Despite a 19 per cent drop in gross revenues below 1957, last year's net income was $7.57 a share, second highest in history. Net income was $43.5 million, only 2 per cent less than 1957's record breaking profit of $44.5 million.

Not since World War II has the N&W had such a low operating ratio—65.45 per cent; or brought down to net income such a large percentage of total operating revenues—21.33 per cent. And never in its history has the N&W equalled its 1958 record of 87,653 gross ton miles per train-hour—one of the best tests of operating efficiency since it measures both train tonnage and train speed—or 1,058 gross ton miles per man-hour, which measures the transportation output of employees.

Working capital increased from $42.7 million in 1957 to $55.2 million. Total taxes were $35.8 million—equal to $6.36 per share of common stock.

Capital expenditures amounted to $46.4 million—$34.1 million for equipment and $12.3 million for additions and improvements to fixed property. N&W owns more freight cars per mile of line than any other U. S. railroad 250 miles or more in length, and when dieselization is completed in 1959 will have the newest and most modern fleet of diesels in the railroad industry.

Registered share owners at the end of the year totaled 29,601. The Company employed an average of 15,505 persons.

N&W paid dividends of $1 per share on adjustment preferred stock and $4 per share on common stock.

All in all, 1958 was a good year for Norfolk and Western, a year of progress. Always a healthy, vigorous carrier, N&W is moving ahead in 1959 with added determination and aggressiveness.

CONDENSED INCOME STATEMENT

	1958	1957
Income		
From transportation of		
Coal and Coke	$127,567,944	$166,310,732
Merchandise	62,710,117	69,404,171
Passengers	2,914,884	3,220,145
Mail and Express	4,651,972	3,828,970
Miscellaneous Revenues	6,101,379	8,369,074
Equipment and Joint Facility Rents—Net	7,857,929	12,348,422
Dividends, Interest and Other Income—Net	3,887,209	1,869,267
	215,691,434	265,350,781
Expenses		
Payrolls	77,376,650	94,056,818
Material, Supplies and Other Expenses	39,770,701	62,306,275
Depreciation on Transportation Property	16,343,498	14,970,836
Taxes, other than Federal income taxes	16,038,907	17,142,655
Interest on Indebtedness	2,937,780	1,988,438
	152,467,536	190,465,022
Earnings before Federal income taxes	63,223,898	74,885,759
Federal income taxes	19,722,000	30,350,000
Net Income	43,501,898	44,535,759
Earnings per share of Common Stock	$7.57	$7.75

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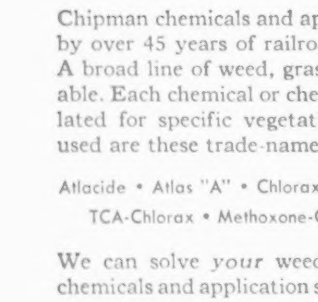

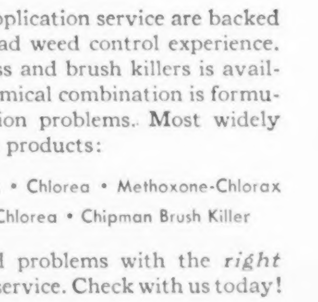

MARKET OUTLOOK *at a glance*

Carloadings Slip 2.3% Below Previous Week's

Loadings of revenue freight in the week ended April 4 totaled 590,133 cars, the Association of American Railroads announced on April 9. This was a decrease of 13,622 cars, or 2.3%, compared with the previous week; an increase of 73,886 cars, or 14.3%, compared with the corresponding week last year; and a decrease of 53,959 cars, or 8.4%, compared with the equivalent 1957 week.

Loadings of revenue freight for the week ended March 28 totaled 603,755 cars; the summary, compiled by the Car Service Division, AAR, follows:

REVENUE FREIGHT CAR LOADINGS
For the week ended Saturday, March 28

District	1959	1958	1957
Eastern	95,767	85,040	120,853
Allegheny	117,427	92,985	142,812
Pocahontas	50,600	43,030	65,411
Southern	113,466	103,937	127,548
Northwestern	63,127	58,964	76,162
Central Western	112,943	101,780	111,319
Southwestern	50,425	46,537	50,817
Total Western Districts	226,495	207,281	238,298
Total All Roads	603,755	532,273	694,922
Commodities:			
Grain and grain products	47,171	51,474	51,927
Livestock	4,680	5,287	5,631
Coal	102,447	97,980	142,384
Coke	10,959	5,648	12,952
Forest Products	40,183	32,175	40,705
Ore	20,490	16,145	22,837
Merchandise l.c.l.	43,757	48,149	57,933
Miscellaneous	334,068	275,415	360,553
March 28	603,755	532,273	694,922
March 21	603,178	532,997	685,836
March 14	595,302	539,127	689,226
March 7	595,930	544,374	672,363
Feb. 28	575,583	551,192	703,983
Cumulative total 13 weeks	7,431,686	6,977,061	8,627,130

PIGGYBACK CARLOADINGS.—U. S. piggyback loadings for the week ended March 28 totaled 7,902 cars, compared with 4,733 for the corresponding 1958 week. Loadings for 1959 up to March 28 totaled 89,712 cars, compared with 58,054 for the corresponding period of 1958.

IN CANADA.—Carloadings for the seven-day period ended March 21 totaled 66,690 cars, compared with 66,563 cars for the previous seven-day period, according to the Dominion Bureau of Statistics.

	Revenue Cars Loaded	Total Cars Rec'd from Connections
Totals for Canada:		
March 21, 1959	66,690	28,492
March 21, 1958	64,284	28,813
Cumulative Totals:		
March 21, 1959	744,024	315,380
March 21, 1958	747,560	336,247

New Equipment

► *Last Week's Orders.*—Orders for new equipment costing approximately $27,500,000 were reported to Railway Age in the past seven days. The breakdown:

FREIGHT-TRAIN CARS

► *Chesapeake & Ohio.*—Ordered 250 box cars, equipped with special loading devices, from ACF. Delivery is scheduled to begin Aug. 15. Cost: $2,500,000. Purchase of an additional 250 box cars is anticipated.

► *Great Northern.*—Has increased its 1959 freight car program by ordering from ACF 500 box cars for delivery beginning in June, before the grain-harvesting season starts in GN territory. Cars will be equipped with roller bearings, nailable steel flooring, 42-in.-high inside steel lining, and 12-ft door openings with both sliding and plug doors.

► *Northern Pacific.*—Ordered 50 50-ton mechanical refrigerator cars from Pacific Car & Foundry. Estimated unit cost: $26,400. Delivery is scheduled for the second quarter of 1959.

► *Wabash.*—Has ordered 50 70-ton covered hopper cars of 3,500-cu ft capacity, equipped with roller bearings, from ACF for delivery in May. Has ordered for its subsidiary, New Jersey, Indiana & Illinois, 25 50-ton, 40-ft, 6-in. box cars with 8-ft doors from Pullman-Standard for delivery in May. Will build in Decatur shops 150 60-ft, 50-ton flat cars for delivery in second and third quarters of 1959. Decatur also will build 550 50-ft, 6-in. box cars, 200 of which will have 8-ft single doors and 350 of which will have 15-ft double doors. Of the 550 box cars, 340 will be delivered this year.

► *Western Maryland.*—Ordered 10 70-ton trailer flat cars from Pullman-Standard and 30 50-ton flat cars from Bethlehem Steel, at an approximate cost of $460,000. Delivery is scheduled for June.

► *Repair Ratio 3.4% Higher Than Last Year.*—Class I roads on March 1 owned 1,721,800 freight cars, 28,387 less than a year ago, according to AAR report summarized below. Repair ratio was 3.4% higher than on March 1, 1958.

	March 1, 1959	March 1, 1958	Change
Car ownership	1,721,800	1,750,187	−28,387
Waiting repairs	157,870	101,282	+56,588
Repair ratio	9.2%	5.8%	+3.4%

LOCOMOTIVES

► *Electro-Motive Division, GMC.*—Will build 40 locomotives for the Iranian State Railways—20 1,900-hp G-16 units and 20 600-hp switchers. The contract, now being negotiated by General Motors Overseas, also calls for tools, shop equipment and power-generating equipment. Total value of the order, which is being financed by an Export-Import Bank loan, is $9,300,000. Delivery of the new locomotives will complete Iran's dieselization program.

a RAILWAY AGE time-saver page


Irwin G. Shapiro
New Haven


Robert S. Hamilton
NYC


Francis J. Melia
UP


W. R. Rouse
UP

People in the News

CANADIAN NATIONAL.—C. E. Shaver, superintendent, Hornepayne division, has resumed his duties as superintendent, Toronto terminals division. **W. H. Murray,** superintendent, Capreol division, also appointed acting superintendent, Hornepayne division.

Leonard J. Mills, assistant comptroller, revenues, Montreal, appointed comptroller, succeeding **John L. Toole** (RA, March 2, p. 34).

Donald F. Purves appointed chief of development, department of research and development, Montreal, succeeding **Harry A. Wood,** retired.

R. A. Walker, trainmaster, Hornepayne, Ont., promoted to assistant superintendent, Hornepayne division. **E. E. Erickson,** master mechanic, Hornepayne, named trainmaster-road foreman, Hornepayne division.

J. L. Cann, engineer maintenance of way, Central region, Toronto, appointed project director in charge of the Toronto terminal project. **G. G. Baird** named property coordinator of the Toronto terminal project. **R. J. Tingley,** division engineer, Edmundston division, appointed assistant engineer of track, system, Montreal. **C. W. Wagner,** track standards assistant, named engineer of tests, system, Montreal. **G. L. Field,** division engineer, St. Lawrence division, appointed general maintenance inspector, system, Montreal. **E. E. MacPhail,** division engineer, Hornepayne, named division engineer, Capreol and Hornepayne divisions at Capreol, Ont. **A. E. Monaghan,** division engineer, Capreol, assigned to special duties. **D. J. Frauts,** road foreman of engines, Hornepayne, appointed trainmaster-road foreman of engines, Hornepayne division. **Ronald C. Gillespie,** assistant to district engineer, Moncton, N.B., succeeds Mr. Tingley as division engineer, Edmundston division. **M. F. Keith Leighton** promoted to division engineer, Moncton division, succeeding **Bryce Keays** (RA, March 2, p. 34).

Edwin A. Spearing, assistant director, appointed director of investigation, Montreal, succeeding **George A. Shea,** retired.

F. W. Beal, staff assistant, appointed assistant to general passenger traffic manager. **R. Earl Rose,** staff assistant to passenger traffic manager, Winnipeg, appointed personnel assistant to vice president—traffic, Montreal.

W. C. Bowra, general manager, Central region, Toronto, will act as chairman of special studies on the organizational structure of the Central region.

H. J. Fast, assistant chief engineer, operation department, temporarily assigned to the department of research and development as co-ordinator of work study, system, Montreal.

William R. Corner, regional auditor, Winnipeg, named assistant comptroller, revenues, Montreal. **Russell F. McCharles,** regional auditor, Toronto, appointed administrative assistant to comptroller, Montreal. **John E. Brenan,** chief accountant—freight, Montreal, succeeds Mr. McCharles. **Johnston Smith,** accounting assistant in regional auditor's office at Toronto, succeeds Mr. Corner as regional auditor, Western region.

A. N. Edgar, senior assistant engineer superintendent, CN Steamships, Montreal, appointed marine engineer supervisor, CNR, Moncton, N. B., succeeding **W. P. McMullen,** retired.

Harold E. Hampton, supervisor of publications, Montreal, appointed advertising manager.

Leslie H. Collins, manager of real estate, Atlantic region, assigned to special duties in the real estate department at Toronto. **C. H. Sparks,** assistant regional manager, real estate department, Atlantic region, Moncton, N. B., named acting regional manager, succeeding Mr. Collins. **F. Ralph Jeffrey** named acting assistant regional manager, real estate department, Moncton.

A. M. McDaid, traveling freight agent, St. John, N. B., appointed division freight agent, St. John's, Nfld.

Howard F. Hutton, solicitor, Western region, Vancouver, B. C., transferred to Winnipeg, Man. **A. R. Williams,** solicitor, Winnipeg, transferred to Vancouver.

COTTON BELT.—Raymond F. Hovorka, assistant general freight agent, St. Louis, named general agent, Detroit, succeeding **J. W. Dulaney,** who has accepted a position with the **Southern Pacific. J. J. Kessler,** commercial agent, St. Louis, appointed assistant to freight traffic manager there.

LONG ISLAND.—The following have been appointed supervisors of safety: **Paul G. Fischer,** mechanical department; **John Moeller,** engineering department, and **W. T. Rogers,** transportation department.

MINNEAPOLIS, NORTHFIELD & SOUTHERN.—E. J. Sexton, executive vice president, Minneapolis, elected senior vice president, succeeding the late **O. D. Nelson. W. A. Hotzfield,** general manager, replaces Mr. Sexton.

R. N. Hanson, traffic manager, promoted to general traffic manager. **A. C. Doenges,** general freight agent, promoted to general traffic manager in charge of rates and divisions.

MISSISSIPPI EXPORT RAILROAD.—Frank H. Waring has left the freight traffic department of the **Maine Central** at Portland, Me., to become assistant general manager of the Mississippi Export at Moss Point, Miss.

NEW HAVEN.—Irwin G. Shapiro, district storekeeper, New Haven, Conn., promoted to manager of stores, a new position. **Edgar S. Taylor** appointed manager of inventory control and **Peter J. Testa** named supervisor of New Haven stores.

Title of **Charles C. Shannon,** executive vice president and general manager, changed to executive vice president. **A. T. Peagan,** assistant general manager—engineering, appointed vice president—operations. **R. J. Duggan,** assistant general manager—transportation, named general manager—transportation. **R. H. Davis,** superintendent car department, appointed mechanical superintendent.

John M. Bursey, resident traffic representative, Montreal, Que., Canada, named Canadian traffic manager, at the newly opened freight traffic sales and service in Room 304, Castle building, Montreal. Due to a printer's error, Mr. Bursey's appointment appeared previously in these columns under the Pennsylvania (RA, April 6, p. 35).

NEW YORK CENTRAL.—Robert S. Hamilton appointed assistant chief mechanical officer, New York. Mr. Hamilton has been assistant to vice president—operation of the NYC since Jan. 21 and prior to that he was assistant chief mechanical officer for the **Southern** at Washington, D.C.

David T. Hart, assistant director of passenger train operation, New York, appointed director of passenger train operation, succeeding **Charles E. Black,** retired.

Edwin F. Kuhn, administrative assistant to passenger sales manager, New York, appointed manager, suburban sales, succeeding **John D. Murphy,** promoted to supervisor, special movements bureau.

PIEDMONT & NORTHERN.—Floyd E. Williams, general freight agent, Charlotte, N. C., promoted to freight traffic manager, sales and service. **J. H. Wright,** general freight agent, promoted to freight traffic manager, rates and divisions. **D. V. Shippey,** assistant general freight agent, promoted to general freight agent, sales and service. **J. F. Manley,** assistant general freight agent, advanced to general freight agent, rates and divisions. **William R. Dunlap** appointed district freight agent, Cleveland, Ohio, succeeding **Fred E. Swaney,** retired.

UNION PACIFIC.—Francis J. Melia, general solicitor, Omaha, elected vice president and western general counsel there, to succeed **W. R. Rouse,** who retired March 31 to accept appointment as executive director of Union Pacific Railroad Foundation, Omaha. The Foundation, which is in the formative stage, is being established to direct the road's philanthropy and stabilize its grants to charitable, educational and scientific institutions.

OBITUARY

E. L. Johnson, 65, who retired in Dec. 1954 as chief engineering services, **New York Central,** died March 27.

Supply Trade

Nationwide Leasing Company, Chicago, Ill., is offering a new package lease plan under which any combination of equipment may be leased as a unit for three to five years. The plan, intended primarily for use by smaller railroads, may be used to cover almost any type of railroad equipment except rolling stock.

Fred J. Corporon has joined **Motorola Communications & Electronics, Inc.,** as a representative for the sale of railroad radio in mid-

western territory. Mr. Corporon was formerly superintendent maintenance of way of the Chicago South Shore & South Bend.

Royce Kershaw, president and board chairman of **Kershaw Manufacturing Company, Inc.**, has announced the appointment of the **Western Railroad Supply Company** as the exclusive agent for the Kershaw Car Inspector's Cart used by mechanical departments in the checking of railroad rolling stock. Also announced was appointment of **Donald J. Hogan & Co.** as sales agent for Kershaw maintenance of way products in the Chicago area; **R. M. Close**, St. Louis Railway Supply Company, as sales agent in the St. Louis area; **Lou Franco**, as sales agent for the Pacific Northwest and Minneapolis and St. Paul area, and **W. C. McKay** as sales agent for the short line railroads. The new sales agents will serve the railroads in addition to existing Kershaw sales and service personnel.

Announcement has been made of the merger of **National Brake Company, Inc.** with the **Ellcon Company**, and the merged companies will be known as **Ellcon-National, Inc.** Both companies have been long identified as transit and railroad suppliers, National Brake Company, Inc. being founded in 1904 and the Ellcon Company in 1910. **Chester T. Stansfield** is president of the merged companies; **Everard C. Mersereau**, executive vice president; **Walter L. Giles**, vice president; **Emil P. Kindra**, vice president in charge of sales; **S. Thomas Pearson**, treasurer, and **L. B. Darress**, secretary.

Joseph Statsinger has joined **Servo Corporation of America**, New Hyde Park, Long Island, N. Y., as director of engineering. Mr. Statsinger was formerly assistant chief engineer in charge of missile guidance of the Arma division of American Bosch Arma Corp.

Safety Electrical Equipment Corp., a newly formed Ohio corporation, has acquired the assets of the Electrical Division of **Safety Industries, Inc. Robert B. Dodds**, former vice president and general manager of the Electrical Division, has been named executive vice president and will be in charge of operations. **John J. Kennedy**, vice president in charge of sales, will serve in that capacity for the new firm.

O. W. Kayser has been appointed assistant vice president, railroads and electric transmission, of **Gibbs & Hill, Inc.**, consulting engineers with principal offices at Pennsylvania Station, New York. **Peter H. Smith** has been named assistant vice president and chief project engineer.

Paul J. Reeves, director of sales for the **Timken Roller Bearing Company**, Canton, Ohio, has been appointed vice president in charge of sales, succeeding **W. B. Moore**, who retired March 1. **Robert G. Wingerter** succeeds Mr. Reeves.

Paul J. Reeves

Robert G. Wingerter

Loss, Damage Prevention Spotlighted

Freight loss and damage prevention involves men, equipment and attitudes. And despite a sizeable drop in claim payments last year, the ratio of claim dollars to revenue dollars eased upward. Much prevention work, railroad officers agreed last week, still remains to be done.

Their comments came during a two-day annual meeting of the Freight Loss and Damage Prevention Section, AAR, in Chicago. In something of an innovation, members of the section were joined by a number of shippers, who spread the customers' problems on the record.

Discussion was mainly concerned with the need for elimination of both the human and the mechanical failings which produce damage. Current levels of claim payments, Section Director C. A. Naffziger declared, represent a "terrific waste . . . the only possible profit is experience." The increase in the average claim payment, he said, points up the "extreme urgency" with which railroad officers should meet the situation. (Payments in 1942 averaged \$10.42; in 1958, \$37.40.)

Over-speed impact and its prevention (better equipment, better education of train crews in careful car handling) were stressed. So were the problems of loading at origin. C. C. Collins, president of National Carloading Company, touched on several factors contributing to loading problems:

- The monotony of freight house work—and the fact that "people feel there's no examination of their work . . . There are so many avenues for responsibility to be put on other people."
- The relationship of house workers and their immediate supervisors—all may belong to the same labor organization.
- Old freight houses—losses seem to be related to the condition of the house. Damage is higher from eastern and some southern points where years-old houses are still being used.
- The continuous accent on cost of operation.

Illinois Central President Wayne A. Johnston, speaking at a Perfect Shipping lunch, urged carrier and shipper officers alike to maintain a high degree of enthusiasm for loss and damage prevention work. Claim payments, he noted, have consistently totaled more than 1% of revenue.

"One per cent may not seem like a big part of a dollar, but when one realizes that the railroad industry operates at between 3% and 4% on its investment, 1% of gross is a big proportion of our net return."

Prompt ICC Action Urged On N&W-Virginian Merger

The Norfolk & Western and the Virginian have asked the Interstate Commerce Commission for "a prompt hearing and decision" on their proposed merger. The merger plan went to the Commission last week. It also requires approval of N&W and Virginian stockholders, who will vote on the plan within the next 30 days.

If the merger is consummated—and all present indications are that it will be—the merged roads will take the name of the larger company, N&W.

Present N&W officers—headed by President Stuart D. Saunders—will be retained as top executives of the merged roads, along with "such additional officers . . . as the board of directors . . . shall appoint."

You Ought To Know...

Western railroad officers have given a Senate subcommittee four principal recommendations for action to boost car supply and end shortages. The carriers are asking for (1) opportunity to compete in rate-making; (2) a construction reserve program; (3) faster depreciation of equipment for tax purposes; and (4) an increase in the per diem charge.

Additional employees have been assigned by the B&O in anticipation of rising car loadings. Increases include: 271 shopmen for light freight car repairs; 50 more employees for the heavy repair of diesel-electric locomotives. Reassignment of forces will also step up the production of 500 new 50-ton hoppers in company shops from 10 to 14 a day.

"Substantially improved" revenues are ahead in 1959 "if the present rate of growth of traffic continues," New York Central President Alfred E. Perlman has told stockholders. Mr. Perlman also sees hope for further reducing the road's passenger deficit. Last year "intensive efforts to eliminate deficit passenger trains and the improved mail pay rates" reduced NYC's passenger loss by nearly $20,000,000—from $52,282,982 to $32,560,775.

Tilford Yard is the new name of Louisville & Nashville's former Hills Park freight yard in Atlanta, Ga. L&N renamed the $11,500,000 facility in honor of John E. Tilford, retiring president of the road.

The competitive position of New England railroads will be studied by a Boston consulting firm. New England Railroads Presidents' Conference Committee wants to secure an up-to-date picture of the traffic pattern.

The future of the railroad industry, Milwaukee President William J. Quinn said last week, depends to a large extent on the attitudes of lawmakers who have authority to modify regulations which now handicap industry progress. His point: there's far more obsolescence in government regulations than there is in the equipment or practices of any up-to-date railroad.

Railroads should be able to rebound from whatever losses they may suffer from Seaway competition, according to Robert C. Liebenow, president of the Chicago Board of Trade. The industry should realize some gains, he noted, "especially if rail carriers can become free to pursue their own rate and fare making and can operate on a realistic competitive basis."

Diversion of bulk commodity traffic from railroads to other carriers will be the subject of a study to be undertaken in fiscal 1959-1960 by the Transportation Center at Northwestern University. The study will cover cost characteristics of various modes of transportation, as well as an analysis of the present and future volume of movement of bulk commodities.

An automated subway is under construction in Leningrad, according to Radio Moscow. Electronically-controlled trains on the lines will be operated without motormen.

Management-labor cooperation, the BLF&E has warned, "is not possible as long as a sham battle is being waged over unreal issues of 'featherbedding.' The railroads cannot long survive on policies which predicate profit on the destruction of the rail services and properties, nor on policies which create an embittered, demoralized working force."

"Strangleholds" on their pricing, subsidies to their competitors and bans on their expansion into other fields of transportation have made the railroads only "limited members of the free enterprise system," Reading President Joseph A. Fisher told the Central Atlantic Transportation Institute in Philadelphia.

IBM and Great Northern have teamed up to adapt a 305 Ramac computer with random access memory for use in car tracing. Punched cards containing car movement data may be fed into the memory unit at the rate of 125 per minute. The memory unit can be interrogated by car initial and number. This takes only five seconds, and movement information is printed out on an electric typewriter.

High, wide and 14 cars long was the shipment moved from Greenville, Pa., to Conneaut, Ohio, last Monday and Tuesday. Components of what is said to be the world's largest cement kiln moved in a special train over the Erie and Bessemer & Lake Erie railroads. The series of steel cylinders, loaded on three depressed-center flat cars, six heavy-duty flats and five standard flats, ranged up to 17 ft 8 in. diameter, 41 ft length, and 134,000 lb gross weight. Special move required the shifting of some line-side wires and the removal of switch stands and semaphore blades enroute.

Promotion of anthracite in commercial space heating is bearing fruit in sales of automatic anthracite equipment to schools and larger buildings (RA, Aug. 18, p. 32). The annual Spring Convention of the New York State Fuel Merchants was told that sales of this type of equipment reached an all-time high in 1958, with first-quarter 1959 sales 100% over last year's first quarter.

Twenty mail-carrying railroads are now using a simplified, time-saving accounting system. The new procedures gear rail accounts to the Post Office Department 28-day accounting system through provision for weekly rather than the former monthly settlement of mail claims. The system has been in test use by the NYC and the Pennsy since last fall.

Labor-saving devices applied on the Maine Central last year "resulted in a spectacular saving in maintenance of way costs and a wholly satisfactory condition of road property," the road's stockholders have been told.

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How Retain 'Rate Relationships'?

The railroads have a major job of customer relations—to convince shippers that railroads should not, and cannot, continue making rates to "preserve market relationships," to anything like the degree that has prevailed in the past.

For example, in Chicago a few days ago the Eastern roads held a public hearing on proposed reductions in grain rates to meet the competition of the St. Lawrence Seaway. Many, perhaps most, of the shipper witnesses seemed to believe that, whatever rate pattern may be adopted to meet Seaway rivalry, it must maintain the same rate relationships between points of origin as have obtained heretofore.

There can be no doubt that the railroads would be happy to preserve these relationships wherever they possibly can. But the economic ability of the industry to absorb in its relative rates the cost disadvantages of poorly located producers has just about vanished. Railroad men and regulators and shippers have to deal with the facts as they are today—not as they were back in the Twenties.

The railroads' rate structure—as it was before the days of intensive development of heavy-duty highways and waterways—was generally satisfactory to most customers and regulatory authorities. Rates were relatively high for shorter hauls and relatively low for longer hauls—but average charges were modest. The nearby producer had no great "edge" in meeting more distant competition—and buyers had a wider choice of suppliers.

But along came highway and inland waterway competition—under no obligation to serve all sources of supply. They concentrated their attention on the movements where rail rates per ton-mile were highest—so the railroads lost the most remunerative hauls, retaining the least remunerative. If they reduce rates on the hauls where there is competition, they are accused of "destroying market relationships," unless they also make comparable reductions where there is no competition. If they make these reductions everywhere—to maintain former relationships—then the whole rate structure goes down to a bare out-of-pocket level, and the industry goes broke.

The shippers who are now so insistent on maintaining market relationships should have exerted their influence to prevent the overdevelopment with public funds (at below-cost charges) of highways and waterways. No industry, unless it has some degree of monopoly power, can *arbitrarily* charge customers in one area a lower unit price than customers in another area.

Shippers and receivers of freight can't have it both ways—discrimination in pricing by railroads to preserve market relationships and, at the same time, all-out competition by subsidized and unregulated carriers by water and highway.

Some degree of market relationship maintenance by railroads may still be possible, e.g., on longer hauls, and most railroads would like to continue it. The obvious reason is that railroads serving the distant producers do not want to see them put out of business. But, unless and until other carriers are fully regulated and their subsidies taken away, the railroads have just got to meet their competition where it exists without being obliged to reduce all other rates proportionately.

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CANADA SHOWS THE WAY: In Canada, railroads and shippers and regulators have developed sufficiently mature understanding of this problem to deal with it realistically. The result has been "agreed charges," where shippers make commitments as to traffic volume in return for reduced and stable rates. In Europe, shipper opinion and regulatory policy have gone even further in giving the railroads freedom to make rates by contract. In the United States, conditions as to future rate trends, and the outlook for the railroads, will remain beclouded until railroad men and their customers and the regulators update their knowledge of current realities in transportation economics; and act accordingly.


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